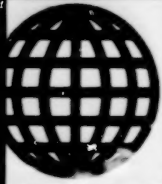


18 August

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# ***JPRS Report***

# **Soviet Union**

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***Economic Affairs***

# Soviet Union

## Economic Affairs

JPRS-UEA-88-032

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18 AUGUST 1988

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18200215 Moscow ZNAMYA in Russian No 5, May 88  
(signed to press 5 Apr 88) pp 158-183

[Article by V. Popov and N. Shmelev: "Anatomy of Deficit"]

[Text] The line from the "Goods for Women" department store on the corner of Petrovka and the Kuznetsk Bridge came out to the street, extending like a thick wall about 50 meters up Petrovka along the "Chasy" store and the arcade. From time to time the policeman assigned to the line used the megaphone hanging on his chest to disperse those standing on the fenced off part of the pavement. It was one of the first sunny days in the spring of 1987; more accurately, the last Sunday in March. Stores were open, fulfilling the quarterly plan with difficulty. The weather, or perhaps the steadily rising hopes, as people moved forward in the line, for obtaining a scarce item, created an atmosphere of joyous excitement. Mainly women stood—tights, which had already disappeared from the market in winter, were being sold—and, as is the custom in such cases, discussed with interest the reasons for such a new worry so unexpectedly befalling them.

The most different opinions were expressed:

"The factory in Tushin was closed for repairs, only imported tights remained..."

"Yes, really, the factory! One can think that tights are manufactured only in Tushin. They are simply withheld especially now, so that stockings, which no one takes, may be bought up. When stockings are sold out, tights will again be put out—they are always in demand."

The last version, which, apparently, seemed more plausible, was discussed actively until the policeman interfered in the conversation:

"Oil prices dropped," he declared with authority. Owing to such an unexpected turn in the discussion, the women grew somewhat quiet. "We buy your tights with foreign currency. We receive foreign currency, because we export oil. Last year prices on the world market were lowered to one-half. Consequently, our foreign currency income was also reduced. Now we have to choose: Either to buy tights and perfume for you abroad, or machines and grain for the national economy..."

In fact, why did tights disappear? Why do some small items disappear from the market periodically? If we look into the matter, they are not such small items—sheets, washing powders, small batteries, marshmallows, fruit

fudge, wallpaper, or threads. Why, for all practical purposes, is there constantly a shortage of something? When one thing is available, another is not and, when another thing appears, still another disappears from counters.

All these "whys" touch only on the visible part of the iceberg. Not only consumer goods, but also products for production purposes, fall into the category of scarce items. Ask any manager what concerns him most of all and in 9 out of 10 cases you will hear: Where to get something. There is a shortage of spare parts, building materials, electric motors, paper, protein additives to mixed feed, and mixed feed itself. The supplier has become the key figure in production and the success of any economic undertaking is determined primarily by the ability to "get hold of allocations."

Trying to find a rational explanation for the deficit, we usually pay attention to specific factors in a specific situation, examining each individual case of shortage of something in an isolated manner, irrespective of other cases. How often we see the reasons in unforeseen, unplanned, and unexpectedly arising, special circumstances, which alone prevented the manufacture of a given article in the necessary quantity! And how many of these objective unforeseen circumstances there are: vicissitudes of the weather, factory repairs, movement of prices on the world market, and ups and downs in the international situation. As a last resort we blame lackadaisical planners and even managers of individual sectors. Well, really, who prevents tractor and agricultural machine building from reducing the assembly of machines and, as a result, increasing the delivery of spare parts. After all, kolkhozes and sovkhoses dismantle ready machines into spare parts.

In the case with tights fully rational and plausible explanations are found. For example, as PRAVDA reported at the beginning of this year—at that time this small annoying deficit "still" continued to spoil women's mood—with an actual need for 340 million pairs (calculation by the Scientific Research Institute of Demand and Market Conditions under the USSR Ministry of Trade) the Ministry of Trade ordered 310 million tights from the Ministry of Light Industry, but according to the 1987 plan only 250 million should have been manufactured. Seemingly, everything is clear: There is bad planning. It is necessary to take demand into consideration more accurately and to require that specific officials responsible for this area work better. Incidentally, the newspaper quite transparently hinted at the need to link the wages of these officials with the degree of satisfaction of consumer demand. If everything were so simple...

No, unfortunately, everything is not. Responsible officials are innocent.

The constant deficit and the regularity with which the shortage of everything—from baby soap and siphon bottles to railroad cars—arises makes us assume that behind all these specific cases there is some common



pattern. We will try to show that this pattern is connected with the planning system existing in our country, which in its present form not only rules out, but also inevitably presupposes, a constant deficit and makes it chronic, ineradicable, and insurmountable. It is paradoxical, but a fact, that under the present planning mechanism a deficit is not an exception, but a rule, a naturally reproducible phenomenon, and an integral feature of the economic system.

#### Plan-Law

What is planned in our economy? It is easier to say what is not planned. It is now difficult even for an experienced specialist to understand the countless number of existing instructions, regulations, and orders. If the real picture is simplified greatly, it can be said that the presently existing planning system is based on two principles.

*First principle*—products list plan. The value volume of output, as well as indicators of production in kind, that is, in tons, units, meters, and so forth, is assigned to every enterprise and association from above. The degree of detailed plan entries is very high: Gosplan gives 2,000 consolidated items. Gosstab breaks down these consolidated entries into 15,000 and ministries, into 50,000. Finally, at the stage of attachment of consumers to suppliers made by Gosstab bodies every entry in the products list is divided into another 10 to 15 items.

This year Gosplan has left for itself only 415 entries, transferring the rest to Gosstab jurisdiction. Furthermore, it was decided that enterprises in processing sectors can plan from 30 to 50 percent of the products independently. This is the most radical measure, which will be discussed especially. Here, however, we will only note that even at the high level of fractionation, which has existed until most recently and, basically, exists now, the range of entries planned in kind is narrower than the actually existing one: The assortment of actually produced articles doubles approximately every 10 years and now amounts to 15 million items. In particular, this means that, in practice, enterprises have some, but very small, independence in the formation of their portfolio of orders: They cannot produce nails instead of rails, although they can replace the production of some nails with others.

As a matter of fact, such spontaneous shifts not sanctioned from above actually occur in the list of produced products within quite narrow limits, that is, to the extent to which the enterprise itself can determine the assortment. Naturally, unprofitable articles, whose production involves much trouble, but gives no profit and, above all, does not especially help to obtain gross output, are always sacrificed. By the way, buttons, toilet paper, clothespins for laundry, pieces of hard candy, dry crackers, and thermometers "are washed away" from the assortment in this way. However, this is by the way. The system as a whole is directed toward a general planning of the products list: and, for example, before the war,

when such a system was formed and the assortment was much narrower than now, virtually all types, subtypes, marks, and grades of actually produced products were planned. Even today directive address assignments for the production of products in kind are detailed in such a way that, even if they leave some freedom of choice to producers, it is the most minimal.

*Second principle*—allocation of resources. In addition to the production plan, a material and technical supply plan is assigned to every enterprise and association. Submitting claims for allocations to Gosstab 1 or 2 years before the planned period, enterprises then receive from above a supply plan with a precise indication of suppliers and volumes of deliveries. Consumers and suppliers conclude economic contracts and, subsequently, if contracts continue to be in effect, planning and supply bodies no longer engage in such a "contractual turnover," concentrating their efforts on meeting newly arising demands through the setting of assignments for production expansion. Of course, there are no guarantees that all the claims of enterprises will be satisfied. Requests for scarce products are always cut down. However, if a claim is not submitted on time, one will get nothing at all. Essentially, this is a "rationing" supply system, within the framework of which it is possible to expect to receive raw materials, supplies, accessories, and equipment only strictly in accordance with approved limits.

According to recently adopted decisions, by 1990 wholesale unregulated trade should provide 60 percent of the total material and technical supply of enterprises and by 1992, more than 70 percent of all the deliveries in the Gosstab system. In 1988 Gosstab plans to increase the volume of deliveries in the form of wholesale trade 3.5-fold as compared with 1987, bringing it up to 30 or 35 billion rubles. However, wholesale trade now accounts for less than 5 percent of all the deliveries in the Gosstab system (about 10 billion rubles).

A strict products list plan and allocation are two sides of one planned production process. Since it is possible to consume only what is produced and only what is planned is produced, production consumption can be realized only according to a preset scheme. Deviations from limits are possible only at the expense of reserve stocks.

Thus, the two planning principles are logically interconnected and supplement each other. Society in the person of planning bodies gives enterprises and, ultimately, individual workers precise production assignments, at the same time, providing them with everything that is necessary to fulfill the plan. This idea does not at all rule out independence and initiative. Labor collectives, receiving part of the public resources at their disposal, themselves search for ways of utilizing them most efficiently in order to fulfill planned assignments with the smallest expenditures.

In such a system cost accounting means that an enterprise is a kind of "black box." "Input" (limits for labor and material resources and their prices, including wage rates) and "output" (volume of production in kind and prices of produced products) are planned for it and how the labor collective transforms resources into products inside the "black box" between "input" and "output" is its business. If it succeeds in fulfilling the plan with smaller expenditures of resources, profit and, consequently, bonuses will be bigger.

Thus, in the ideal everything is harmonious and good.

How can a deficit arise in such a system, where everything is planned and envisaged in advance? After all, this is not a market, where producers do not know the precise amounts of public needs backed by effective demand and how many goods their neighbors will offer for sale. After all, it would seem that in a planned economy everything is taken into consideration ahead of time and in advance and reserve stocks can be created even for unforeseen circumstances. Ultimately, if a deficit nevertheless arises owing to special circumstances, is it impossible to correct the plan and to adjust the production structure so that there is enough of everything?

The answer is simple to the point of banality: No, it is impossible to envisage everything in advance. Perhaps, only the fact that we do not fully imagine the real scale of the gap between what can be planned and what is actually planned is not trivial here.

Any public production requires the maintenance of technological relationships and proportions. There are obvious relationships noticeable to the naked eye. For example, a certain quantity of iron ore and coal is needed for cast iron smelting; a certain quantity of metal, for the production of machine tools; a certain quantity of fabrics, for sewing clothes. In order to characterize such relationships, economists use the term "direct expenditures of resources per unit of output." However, there are also unobvious relationships, about the existence of which it is possible only to guess and which can be precisely defined only by means of special calculations. The concept of "indirect expenditures of resources per unit of output" is used to describe these relationships. For example, the sewing of clothes does not directly need wire, but it requires fabrics, for the dyeing of which use is made of aniline dyes, which are also obtained during the refining of oil transferred by pumps, in which electric motors with wire rotor winding are used. If there is no wire, there will be no electric motors, pumps, oil, dyes, fabrics, and, finally, clothes. For the consumer the consequence is realer, although, perhaps, less tragic than for a city taken by an enemy, "because there was no nail in the forge shop."

Obvious and unobvious technological proportions—direct and indirect expenditures of resources—should, of course, not merely be taken into consideration, but be calculated with an absolute accuracy in planning, if the

formation of a balanced plan coordinated in all items is the task. From a purely scientific aspect this task was accomplished a long time ago. A theory of the intersectorial balance was developed. By means of it, knowing the required volumes of output of the final product and coefficients of direct expenditures of various resources on the production of a unit of every variety of the final product, it is possible to calculate indirect and full (direct+indirect) expenditures and next, accurate volumes of production of all types of intermediary products. In practice, however, the task is unfeasible owing to its vast scale.

Modern computers can solve such problems only if the number of (unknown) equations runs into hundreds. The actual assortment of products contains not hundreds or thousands, but tens of millions, of items. However, this is not the chief thing. Even if we assume that the necessary computers will appear some day, nevertheless expenditures on the collection of detailed initial information on coefficients of direct expenditures, obviously, exceed the limits of economic expediency and cannot be justified by any conceivable benefits. In fact, it is impossible to attach to every worker one or maybe several counters recording the expenditure of materials, wear of machine parts, volume of adjustment and repair work, direct work time expenditures, and many other things. Is it necessary to say that in its present form our bureaucratic economic and managerial apparatus is by no means the most efficient in the world?

Under the existing procedure, when intersectorial balances are used only in analytic and preplan calculations, when an even very consolidated products list (thousands of entries) is planned by Gosplan and Gossnab according to simple material balances (income-expenditure), which are linked with each other only in broad outline in the course of a complex bureaucratic process of agreements among ministries, Gosplan departments, and Gossnab—under this procedure it is absolutely impossible to expect a coordination and interfacing of various sectors and industries on a scale of the entire national economy. Therefore, even a thousandth fraction of what is actually planned and produced is not calculated or coordinated.

We have become accustomed to think that, when the center distributes resources and sets production assignments, there can be no mistakes, because "it is more visible from above." In reality, the exact opposite is true: With the best intentions the center does not have the physical capability to prepare not an optimal, but not even a simply balanced, plan and to calculate not second- and third-rate, but even many basic, production proportions. Therefore, mistakes are not only possible—they are absolutely inevitable. A plan version balanced in basic entries can appear only accidentally, the probability of its appearance being negligibly small.

Therefore, the present planning mechanism out of necessity implies a constant reproduction of disproportions and the formation of a deficit, on the one hand, and of

overproduction, on the other. Plan correction, which has become universal practice, is inevitable. It cannot be otherwise, because there is no balanced plan and, consequently, the scarcity or surplus of a given type of product is revealed only in the course of plan fulfillment. At times correction appears as the lesser evil than firmly following an imbalanced plan, in which overproduction of unnecessary and underproduction of necessary products are inherent.

Promises to assign [from above] firm plans not subject to a revision to ministries, associations, and enterprises, which are given from year to year, are a notorious fiction: With the present planning practice neither the Council of Ministers, nor Gosplan, nor Gossnab, nor, in particular, ministries can assume responsibility for the delivery of resources ordered by enterprises on schedule and in a full volume and for the substantiation of planned assignments for the production of products in physical terms. After all, the plan approved for execution, as is known in advance, is not balanced at all.

Thus, everything rests on two planning principles, on the existing system, not on individual, even if responsible, workers of the planning apparatus and not even on the system's individual links. Planners are not to blame, because they are also people and cannot jump over their heads and step beyond the limits of human capabilities. The system, which strictly plans and controls what under no conditions can ever be calculated, coordinated, or interfaced, is to blame. A system aimed at embracing the unembraceable, controlling a live economic organism, and squeezing it into the Procrustean bed of strict planned orders. A system, in which not planning bodies exist for the economy, but the economy exists for planning bodies, not Gosplan exists for the national economy, but the national economy, for Gosplan.

The plan turns out to be a law, which, according to its definition, cannot be fulfilled in all its points. The appeal "plan at any price," possibly, best reflects the essence of this planning system: For managers this is an order to carry out what has been planned, regardless of expenditures, and for the planner, firm confidence in the need to plan everything down to the last nut, no matter what it costs.

Meanwhile, the imbalanced plan-law, indeed, has its "price" and considerable at that in the most literal sense. There are losses literally catching the eye, when, for example, the Machine Plant No 1 in the city of Gorkiy scraps usable zinc in order to fulfill the plan for the delivery of nonferrous metal waste (otherwise, fines), or when the Kurgan Bus Plant hammers "superfluous" parts out of the not fully assembled GAZ-53 received from the Gorkiy Motor Vehicle Plant and then assembles buses at its base. Reading about such things in newspapers, we become rightly indignant—what outrageous mismanagement! However, there are also other,

no less obvious, losses, which, however, it is not customary to connect with the existing planning system, but which, in fact, turn out to be its inevitable logical consequence.

#### What the Imbalanced Plan Costs

"Those who do not want to work look for a reason, and those who want, look for means." This saying, which often adorn walls of shops and plant administrations, under conditions of the economy of scarcity has acquired a highly specific meaning.

In fact, how to find the person guilty of nonfulfillment of planned deliveries? The manager reports to the planner that subcontractors disappointed him and underdelivered this and that. In turn, subcontractors refer to their suppliers and so forth, so that it is impossible to find the guilty person. This only irritates the planner, because it seems that the manager hints that something was overlooked "above" and, consequently, he, the planner, is to blame. Therefore, the planner made wiser by experience simply does not accept such arguments: "You could not get it," he tells the manager, "then you should have made it yourself." And he has to make it...

As is well known, our plants are the biggest in the world. At the same time, however, we have the most multispecialized and unspecialized plants. In an attempt to have everything at hand enterprise managers naturalize their farms and establish repair, tool, and construction shops, which, incidentally, are absent at foreign plants.

Machine building enterprises surround themselves with unspecialized and, as a rule, primitive, poorly mechanized subdivisions for the production of tools, accessories, castings, forgings, containers, and so forth. The efficiency of these subdivisions is low, but on the other hand they are "theirs" and it is always possible to obtain almost everything (it would be even better if it were everything), not turning to subcontractors. As a survey by the Central Statistical Administration has shown, 71 out of 100 machine building enterprises produce cast iron for their own needs, 27, cast steel, 84, forgings, 76, stampings, and 65, metal holders and fasteners. The production costs of these articles at universal enterprises are approximately two- to threefold higher than at specialized ones.

How many construction and installation administrations and mobile mechanized columns are subordinate to nonconstruction departments! Sometimes there is even nothing with which to occupy these small and unproductive facilities and their existence is justified by only one thing—impossibility of obtaining from specialized construction trusts small, but necessary, services at the necessary time. In addition, construction is carried out by the economic—"grandfather's"—method (13 percent of all the construction and installation work). Of course, the contractor could have built better, more rapidly, and more cheaply, but he does not want to: Big orders and



the construction of new projects are profitable for construction trusts, because they also render accounts on the basis of gross output and the volume of utilized funds, whereas the reconstruction of existing enterprises is the same "trifle" for them. An industrial enterprise has to acquire its construction shop so that in case of need it can whitewash building walls, extend service lines, and expand the boiler room.

Finally, repair subdivisions, whose expansion has long exceeded all sensible limits. More workers (about 8 million people) are now engaged in the repair of equipment than in its manufacture. In the share of repairmen in the total number of employed individuals we greatly exceed Western countries. However, expenditures of funds on technical servicing and repairs exceed the initial value of machine tools eight-to-tenfold. For example, total production capacities for repairs of farm equipment—they include 300 plants and 4,200 specialized shops (previously subordinate to the State Committee for Supply of Production Equipment for Agriculture) and shops existing on every kolkhoz and sovkhoz (about 50,000)—exceed the capacities of sectorial machine building six- or sevenfold.

The hypertrophied development of the repair sphere is partly connected with specific reasons, but the cumbersome planning and administrative organization of repairs themselves and inefficient dissipation of the repair base do not play the last part here. After all, specialized repair plants also operate according to an established plan, which, to put it mildly, does not always interface with the actual time of equipment breakdown. Therefore, for an enterprise it is more reliable to have a repair shop on its balance than to be constantly dependent on "someone else's" repairmen.

This is especially noticeable in the sphere of repairs of agricultural machinery, which in contrast to industrial equipment is not obsolete or worn out at the time it is written off. The average actual service life of tractors and combines, which has been shortened to one-half in the last 30 years, in our country now is even two-thirds or one-half of that, for example, in the United States. It would seem that the rapid replacement of the pool of agricultural machines should reduce the need for their repairs. In fact, however, these machines are almost more repaired than operated. The pool of tractors second in its size in the world is used less efficiently than anywhere else. A total of 250,000 out of 2.8 million tractors do not operate owing to technical malfunction alone. Instead of 1 million available combines, according to an evaluation by Agroprom, kolkhozes and sovkhozes really need one-third less—no more than 650,000. For example, expenditures on repairs of tractors are five- to sevenfold higher than their initial value.

From where comes the need to spend on repairs during every year of a tractor's operation almost as much as it itself costs? Is it necessary to do this if a new tractor can be bought with the funds spent on repairs during 1 or 2 years of operation?

A planned organization of repairs, again, is the chief thing here. On the one hand, it presupposes primitive labor-intensive repairs in rural shops; on the other, obligatory, in accordance with the planned procedure, repairs at technical repair enterprises (former Agricultural Equipment Association), which must also fulfill the products list plan. It happens that at the end of the year farm managers, only so that RAPO, of which these farms form part, does not overload the equipment repair plan, have serviceable vehicles driven on snow to repair bases. Repairs are transformed into an end in itself: Not repairs for the tractor, but the tractor for the fulfillment of repairmen's plan.

Kolkhozes, sovkhozes, plants, and associations, which produce everything for themselves and have ramified tool, repair, procurement, and construction subdivisions, are convenient for planning bodies. First, they annoy them less with requests to obtain, allocate, provide, and so forth and it is not necessary to search for contractors and suppliers for them. Second, it is always easier to make such multispecialized and versatile producers responsible and, moreover, in case of a hitch it is possible to quickly reorient them to the production of other products. Why to seek additional allocations and limits for the organization of new production and to establish new relations among suppliers? Is it not easier to obligate everyone to a man to produce a little? Every little bit helps. You look and the deficit will disappear. This is as in days of yore, but, on the other hand, reliable.

Who, for example, should build the highway in a region? Of course, local authorities with their budget funds can issue an order (contract) to a strong specialized construction organization. However, builders have their own plan and limited allocations for the plan. They have no reason to "dissipate their energies." In turn, planners, of course, are unable to foresee from the center how many and what kinds of resources will have to be allocated for the construction of all roads of local significance. Therefore, they follow the "simplest" path: They obligate (since there are such rights) all the region's enterprises to perform road operations in the volume of 6-day norms for every truck, tractor, excavator, and so forth available on a farm, but no less than 0.3 percent of the annual volume of commodity output. Oblast enterprises, on which such a natural obligation is imposed, indeed, have the right to transfer their volume of work to construction subcontractors. After all, contractors undertake construction not for money, more correctly, not for money alone (monetary remuneration goes without saying), but only if limits of capital investments, material and technical resources, and so forth are transferred to them. Therefore, enterprises either have to pay fines, or, diverting resources from specialized production, to assign equipment and people for road construction and repairs. In the latter case the situation reminds us not of the 20th century, but of the Middle Ages with their subsistence farming and labor rent; to put it more simply, labor services.

Of all the other diverse natural obligations established by local authorities for enterprises and organizations, probably, "kartoshka" [potatoes] is known most of all. It is patronage help by city plants, scientific research institutes, and educational and other establishments to kolkhozes and sovkhozes during sowing, mowing, and harvesting. If we cast aside emotions and irony characteristic of many publications on this subject, of course, we must admit that such help (incidentally, already envisaged in "Utopia" by Thomas Moore) is necessary and inevitable both now and in the foreseeable future. Agricultural work is of a seasonal nature and, whether we like it or not, we are forced to draw a vast mass of urban manpower to rural areas in summer and, especially, in fall. Such a need exists in all countries. For example, in the United States the number of those employed in agriculture annually increases from 2.8 to 2.9 million in January-February to almost 4 million in July-August, that is, by an entire one-third, owing to a corresponding reduction in the reserve army of labor and drop in the unemployment level. About 30 million people are permanently employed in our agriculture and, for example, one can imagine how many millions of workers, students, and scientists annually become "patrons for a season."

However, the problem lies in the following: In what forms should seasonal manpower be drawn to rural areas? As in many other cases, central coercive methods now applied in this sphere are extremely inefficient and wasteful. We deceive ourselves, when, for example, we do not include in production costs of agricultural products patrons' wages, which they continue to receive punctually at their enterprise, while they are in the rural area and are recorded as "on a mission."

We must approach the purely economic matter wisely, permitting those who need seasonal manpower to enlist it for pay and enabling seasonal workers to take a leave at their own expense in order to earn a little money. Of course, kolkhozes and sovkhozes will be able to economically interest citizens in rural labor only by sharply increasing its profitability. There is no other way here. Relations between patrons and those under their patronage should be placed on a strict cost-accounting basis without any interference on the part of the rayon committee. Patrons should receive wages for real labor, be it in an urban or a rural area, not for absence at work as now. "Help" relations themselves, implying that a generous urban area undertakes part of the rural work graciously and almost gratuitously, should be eliminated.

The "medieval" natural duties imposed on enterprises and organizations hamper their basic specialized work, worsen specialization, and, consequently, lower the efficiency of the entire national economy. Specialists do not work in their specialties and self-taught persons perform jobs requiring vocational training. Meanwhile, the slogan "do it yourself," which is more appropriate for "skillful hands" circles than for the entire national

economy, too often is elevated to the rank of general state policy. For example, it is difficult for planners to engage in such a "trifle" as housing repairs and maintenance. Is it not easier to enlist residents themselves in this? In the RSFSR alone a total of 7,000 "repair detachments" have been formed out of tenants themselves and not tens and not even hundreds of thousands, but 25 million people participate in the preparation of housing for winter. And what damage is done to enterprises by periodic campaigns in support of the development of subsidiary farms of industrial enterprises, consumer goods shops, self-provision of individual oblasts and regions with foodstuffs, and so forth?

In the country there are already more than 20,000 agricultural shops at plants, factories, and construction projects—almost every third or fourth enterprise has its own agricultural shop. However, this is not enough. Provision is made for the establishment of subsidiary farms, as a rule, at every industrial enterprise or association and at a transport or construction organization.

The decree of the Presidium of the USSR Supreme Soviet published in 1987 criticizes the Ministry of Non-ferrous Metallurgy for the fact that subsidiary farms have not been established at all at an entire one-fourth of the enterprises subordinate to it. Three out of every four enterprises, at which metal is smelted, have their own cows, but one still does not have them! Furthermore, those that have them do not produce very much—on the average, 13.5 kg per worker in the sector annually. The Bashkir Copper-Sulfur Combine, where 65 kg of meat per worker are produced, is cited as an example. Incidentally, the figure is very significant, although this is a coincidence: Per-capita meat consumption throughout the country totals a little more than 60 kg. In other words, if all enterprises—industrial, transport, and others—produce 65 kg of meat per worker, it will be left for agriculture itself to provide only children and pensioners with meat.

Newspapers report about the fact that in Georgia there are still about 300 enterprises that do not produce consumer goods as a big misfortune. The Kharkov Tractor Plant is reproached for the fact that it produces only 13 kopecks' worth of consumer goods per ruble of the wage fund and some enterprises of ministries of power machine building, heavy and transport machine building, and the machine tool and tool building industry have been recently criticized at a meeting of the Presidium of the USSR Supreme Soviet for the fact that the value of output of consumer goods per ruble of wages does not exceed 25 kopecks at them.

Possibly, here and there the interests of the cause require a combination of the production of diesel engines and juice extractors and a regional self-provision with foodstuffs. However, not everywhere! There is only one



criterion here—economic expediency and profitability. But with the approach based on the campaign system and gross output precisely this principle very often is violated.

Modern public production is inconceivable without a narrow specialization of its individual cells. Universal plants represent not even yesterday, but the day before yesterday, in the world industry. Poorly specialized enterprises inevitably lose in efficiency and capacity for technological innovations. According to existing evaluations, in the basic production subdivisions of our industrial enterprises labor productivity makes up more than 75 percent of the average level of Western countries, whereas throughout the industry (including auxiliary subdivisions), only about 60 percent.

Big losses are inevitable in this case. Whereas planning bodies with the proper scope and sense of perspective try to manage specialization and cooperation in the production of the most complex units, parts, and components not only on a national economic scale, but also within the CEMA, in reality, the Nizhny Tagil Metallurgical Combine, for example, has to master the output of such a product, in which it does not specialize, as special footwear for furnace workers, which does not burn by sparks from smelting. Of course, it is easier to buy such footwear elsewhere, but what should be done if it is not available (not planned)? In fact, one will not begin to report to the minister that the plan for rolled metal products is not fulfilled owing to the lack of special shoes.

The vast growth of commodity stocks is another major consequence of an imbalanced plan. Unnecessary products, which are planned in abundance, accumulate at warehouses, because it is impossible to utilize them, while managers stock up on necessary articles, because they are either already scarce, or can become scarce tomorrow.

By the end of 1985, when circulating capital in commodity stocks reached the maximum, at state enterprises and in material production sectors alone they totaled more than 460 billion rubles, or more than 80 percent of the national income. If kolkhoz stocks are added to this (more than 50 billion rubles), it will turn out that total stocks in the sphere of material production alone exceeded 90 percent of the national income created during the same year. Incidentally, as long ago as 1970 the ratio of stocks of state enterprises in material production sectors to the national income was noticeably lower than now—"in all" 57 percent.

Let us consider these figures carefully. We now have almost as many stocks as we create in a year. In other words, if the structure of stocks would correspond to the structure of the national income and if during the year it would be possible to reduce them to zero, all of us, more accurately, almost the 100 million people employed in material production sectors, could receive annual paid

leaves. Naturally, it is impossible to reduce stocks to zero. The continuity of the production process requires certain stocks without fail, but in no way in the amount of the annual national income.

In Western statistics national income is calculated not only for material production sectors, but also for those that to this day we include in the category of nonproductive and not creating the national income (science, education, public health, culture, art, domestic services, passenger transport, management, and so forth). In the most developed capitalist countries the bulk of the working population is employed in these nonproductive sectors and, therefore, all stocks—both in material production sectors and in the nonproductive sphere—should be compared with the national income. For example, in the United States in the private sector of the economy the ratio of stocks to income is now approximately 30 percent, that is, the stock intensiveness of our material production exceeds almost threefold the stock intensiveness of the entire American economy.

The correlation "commodity stocks at a given moment/monthly sales volume" is often used as an indicator of domestic market conditions in the West. This correlation drops with a high business activity and grows during periods of crises and low market conditions, when difficulties arise with sales and stocks of finished products swell. In the United States during the last 3 decades this indicator has fluctuated within quite narrow limits—1.4 to 1.9 for the processing industry, 1.0 to 1.3 for wholesale trade, and 1.3 to 1.5 for retail trade. If the ratio of stocks to monthly sales exceeds 1.7 in the processing industry, 1.2 in wholesale trade, and 1.4 in retail trade, as a rule, this is a true sign that the economy is on the eve of a crisis, or is already experiencing it. In 1982, when the most serious crisis during the postwar history of the United States reached a climax, the average ratio of stocks to the monthly sales volume was 1.73 in the processing industry, 1.24 in wholesale trade, and 1.40 in retail trade.

In our industry in 1985 the ratio of stocks to the monthly production volume was 2.4 and in trade, 3.6. In other words, our economy is constantly weighed down by the gigantic burden of commodity stocks, which greatly exceeds in its weight the burden carried by the capitalist economy during periods of the most destructive overproduction crises.

In the retail trade of the United States, where the concept of deficit virtually does not exist, commodity stocks proper (stocks of finished products alone, without raw materials and supplies) exceed the monthly turnover only slightly. In our retail trade commodity stocks exceed the quarterly (92 days) turnover. Nevertheless, there is constantly a "shortage" of something.

The fact that an accelerated swelling of commodity stocks has been taking place in our country in the last 15 years, possibly, is even more important. Whereas in the

United States, with a growth of 1 dollar in the national income stocks increase by only 20 to 30 percent, we in the 1970's-1980's are forced to pay for every ruble of growth of the national income with an increase of more than 1 ruble in stocks, although in 1966-1970 only 60 kopecks were needed for this. As a result, in our country in the 1980's almost 6 percent of the created national income is spent on an increase in stocks, whereas in the United States, less than 1 percent.

It is also characteristic that a tendency toward lowering the stock level is visible in the United States and other Western countries over the long term. In the 1980's this tendency is connected with the introduction of a number of technical innovations, in particular, automated computer systems for the management of supplies. In 1972 the Japanese car company Toyota first applied the so-called "kanban" system, which then became widespread in Japan's industry and from the end of the 1970's, in some machine building firms in the United States, France, FRG, and other countries. The significance of this system lies in the fact that products are produced in small batches and stocks are virtually eliminated, because the computer supplies the necessary parts and units precisely at the beginning of a production operation. Small series production leads to an increase in expenditures on the readjustment of equipment, but this is more than covered by the savings provided by the sharp reduction in the volume of incomplete production and stocks of materials, parts, and components.

Under such a system parts are placed in production literally straight "from wheels." In Japan there are now frequent cases when suppliers deliver products to the client firm three or four times a day. At the Toyota Firm the volume of warehouse stocks is calculated only for 1 hour of operation, whereas in the American Ford Company, for a period of up to 3 weeks. It is believed that, to ensure an equal volume of output, Japan's car industry, on the whole, now requires approximately one-tenth of the stocks in the United States.

Under our supply system is it possible to imagine that stocks of materials and components are calculated only for a few hours of plant operation? To be sure, any supplier will consider such a question a mockery and will be right. After all, time intervals between deliveries, usually, run not into hours or days, but months. Accordingly, the stock should also be calculated for months of operation. And how much do suppliers let us down? In brief, the bigger the stocks, the better. For above-standard stocks one can be chided or, if worst comes to worst, deprived of a bonus (because profit is reduced by the amount of fines), but if the plant comes to a halt, one can even be relieved of his post.

Excessive stocks and a deficit are two sides of one coin. When resources are distributed strictly according to limits, a deficit is inevitable, and in an atmosphere of a universal deficit, naturally, stocks for future use increase. How much has already been said about the fact

that it is impossible to accurately foresee all the needs 1 and 1/2 to 2 years ahead and to submit a claim to Gosnab for a replacement of every burned out bulb? Nevertheless, claims are submitted, because organizations are forbidden to buy these bulbs for cash at the closest store. According to the rules of sales of marketable goods to enterprises, institutions, and kolkhozes in the form of small-scale wholesale commodities, which were approved by the Ministry of Trade and the State Bank in 1977, they were permitted to buy steel yards, tar, wheel lubricant, shafts, clamps, sickles, and many other "technological wonders" not for cash, but why were they forbidden to buy nails, wallpaper, dyes, and the same electric bulbs? For cash a thing not costing more than 5 rubles can be bought in a store.

The matter takes on quite a catastrophic turn if the necessary articles, components, and spare parts are imported. Here the bureaucratic chain for most enterprises, which as yet do not have a direct outlet to the foreign market, is lengthened significantly. The consumer must turn to its ministry, which then submits claims to Gosnab. Gosnab, within the limits of allocations determined by Gosplan, submits an order to the Ministry of Foreign Trade, which, in turn, distributes these orders to foreign trade associations specializing in the purchase of machines. Then there is the process of purchase, which also requires several months, and with a successful combination of circumstances the consumer receives the necessary part for the imported machine tool in 2 to 2 and 1/2 years.

There is a kind of closed circle. It is impossible to receive supplies outside the plan—this is prohibited. It is possible to receive them on the basis of a plan, but they are not received, because "allocations have run out." And if this closed circle is broken, it is mainly owing to go-getting suppliers, who travel throughout cities and villages, first making arrangements with suppliers and then, on the basis of these agreements, obtaining allocations from Gosnab.

The gigantic disproportions in the production and utilization of investment goods represent another obvious result of the imbalanced plan. Machine tools, which no one needs, are produced and bought, later gathering dust at warehouses and sometimes rusting outdoors. Enterprises, at which there is no one to work, are being built and, at the same time, there is an acute shortage of equipment and a scarcity of production capacities.

Here are some figures. In the last 25 years output-capital in the USSR has dropped to almost one-half, including in industry, to two-thirds and in agriculture and construction, to more than one-third. Even if a correction for statistical distortions is made, nevertheless the picture will remain, in the full sense of the word, unique for the economic history of industrially developed countries.

The rapid growth of idle fixed capital, which gives no products, is the reason for the drop in output-capital. The almost 90-percent degree of utilization of production capacities reported by the State Committee for Statistics, in fact, is a statistical fiction. This figure does not even give an approximate idea of the real scale of underutilization of machinery, equipment, buildings, and installations. In reality, in industry the equipment loading coefficient in time now rarely exceeds 0.7 and the shift coefficient has dropped from 1.54 in 1960 to 1.35 in 1985. In machine building we have only 63 machine tool operators per 100 machine tools and in industry as a whole, even less than that. The pool of idle equipment in agriculture and construction exceeds all sensible limits. Nevertheless, new production capacities are being put into operation and new plants, at which, as is known beforehand, there will be no one to work, are being built. In other words, planning bodies even here, in the sphere of utilization of fixed capital, are unable to balance everything and to tie ends with ends. Disproportions increase year after year and involve losses, which not a single market economy has known even during periods of the deepest crises.

In recent years we have allocated 24 to 27 and, if the Soviet national income is calculated according to Western methodology, roughly about 20 percent of the national income for capital investments and for an increase in stocks, that is, for accumulation, not for consumption. The United States now spends only 6 percent of the national income for the same purposes. According to other, more pessimistic, estimates taking into consideration the "cunningness" of our price formation (turnover tax, various levels of profitability of individual sectors, and so forth), we spend on accumulation the entire 40 percent of the national income, or about 30 percent according to the Western method of calculation. This is the approximate price of only some direct losses generated by comprehensive directive planning.

What plan does socialism need if present comprehensive planning is so wasteful and costs so much? Can there be a plan, under which all our present troubles will disappear—the specialization of enterprises will improve and stock and capital intensiveness will drop to the normal level?

These questions may seem purely rhetorical. After all, we have already heard so much about the fallaciousness of comprehensive directive planning. After all, the 27th party congress and the June (1987) Plenum of the Central Committee have already passed. After all, the general line of restructuring in planning—replacement of administrative levers with cost-accounting and economic incentives—has already been developed. As of 1988 enterprises are being transferred to the new planning system—state orders and economic norms. Need one again talk about the "poor" administrative system, which we are giving up?

However, we will not rush with conclusions. As is well known, the past must be studied in order not to repeat previous mistakes. Many lessons of past years, which have cost us a great deal, are especially instructive now, when we are entering the decisive stage in restructuring in planning.

### A Little Theory

Let us refine some concepts. The planning of production in kind (expenditures and output) is called *directive*. In principle, this is the system that has existed in our country for the last 50 years and predominates to this day. Planned price setting plays an auxiliary, subordinate role, because not prices of produced products, but their bartering normatives (what material and technical supply can be obtained for the plan, that is, for the established volume of production in kind), are most important of all. In many cases the same mechanism of direct noncash exchange operates even in the sphere of personal consumption: Meat and dairy products, housing, furniture sets, passes to rest homes, scarce imported goods, and many other things, in fact, are rationed and not so much the amount of wages as the possibility of bartering them determines everything.

There is another concept—*indicative* planning—implying an administrative regulation only of prices, taxes, wages, and interest on credit, but not of physical production volumes. With indicative planning producers can themselves determine what precisely to produce and in what quantities and to whom to sell them. However, they do not have the right to independently set basic prices of produced products and utilized resources. Planning bodies determine these prices (as well as taxes, interest on the use of credit, rent payments, and so forth), thereby regulating production. Such planning is often called indirect, guiding, and economic. In fact, it precisely is meant when economic incentives are discussed. Instead of forcing an enterprise to make something, it is made economically interested in this through a rise in prices of products, reduction in prices of resources, lowering of taxes, granting of preferential credit, and so forth.

Indicative planning was used in our country in the 1920's in order to economically affect independent trusts and syndicates in industry and the private small-scale commodity sector in agriculture. Of all socialist countries China now uses indirect, indicative planning methods most extensively. In China 95 percent of the peasant households operating on principles of the family contract conclude contracts for the delivery of agricultural products with the state. The state buys basic products—grain and cotton—at firm prices. If the peasant fulfills the contract, he gets the opportunity to buy chemical fertilizers, diesel fuel, and other industrial goods at firm prices from the state. In industry approximately one-half of the products are not planned according to the products list. However, fixed prices are set for the bulk of such products. In other words, the state undertakes the obligation to buy and sell such products at firm prices without restrictions.



Guiding planning is also used in other socialist countries. In Hungary, where the production of many industrial items, trade, and the service sphere, in which the proportion of individual and cooperative sectors is high, are controlled in such a way, in GDR, where the service sphere, in which the share of individual enterprises and cooperatives makes up 75 percent, is controlled mainly through prices and taxes; in Poland, where in such a way the state affects agriculture, in which private small-scale commodity production dominates, and so forth.

Finally, there are economic systems, in which any planning—both directive (physical production volumes) and indicative (prices and wages)—is completely or partially absent. Technological reproduction proportions are established and maintained in this case owing to the effect of the mechanism of *market self-control* and automatic self-adjustment. For example, if demand exceeds supply, the price rises and this produces a reduction in demand and an expansion in production (supply).

Such an economic self-control is not at all necessarily connected with capitalism alone, although under capitalism the market and the absence of planning, of course, represent the fundamental principle and cornerstone of the entire economic system. The economic mechanism, which existed in the USSR during the period of the New Economic Policy, at least at its first stage, although it included elements of indicative planning, to a significant extent was precisely a self-controlling market mechanism, because not only production volumes, but also many prices, were set not by the state, but by syndicates—voluntary cost-accounting associations of trusts (cooperatives) engaged in supplies and sales. Among socialist countries market self-adjustment is now most widespread in Yugoslavia, where self-governing labor collectives produce products mainly for the market at their own risk, not having guarantees in the form of state obligations to buy their products, or to sell them materials at a firm price. Such a system also exists and is expanding in China, where the free uncontrolled market receives not only the products of private enterprises and cooperatives, which operate mainly in the sphere of trade and services and provide work for 20 million people, and not only the "above-contract" products of peasant farms, but also on the order of 10 percent of the products of state industrial enterprises, for which neither production volumes nor prices are set in a planned manner.

It is very important to realize that the three mentioned systems—administrative (physical) planning, indicative (economic) planning, and market self-adjustment—in principle, contradict each other. However, this does not rule out the possibility of a simultaneous use of administrative planning in some spheres of the economy, of economic incentives in other spheres, and of market control in still others. However, to the extent to which the application of one system expands, the region of action of the two remaining ones is narrowed inevitably.

Thus, all economic incentives and all cost-accounting levers and methods of effect on production prove to be unsuccessful under conditions of allocation and directive planning of the products list, because, when resources are rationed, money becomes only an accounting unit, losing the quality of a universal equivalent. After all, only money that can be bartered, against which, in other words, stocks are allocated, serves as a real incentive. However, when the economy actually operates according to the principle of noncash physical exchange, when profits worth millions not backed by schedules of allocations of Gosplan do not have any real purchasing power, such cost-accounting tools as price, profit, taxes, and so forth are devaluated and lose the ability to affect production, remaining useful only for accounting and the analysis of economic activity.

Contrasting administrative methods of management with economic, cost-accounting methods has now become almost the most popular subject in newspaper articles on economic topics. A great deal is said about the fact that positive incentives (reward for good work) are more effective than negative ones (punishment for bad work) and that, consequently, there must be no administrative coercion, but economic incentives should be provided. In accordance with such an approach it is often proposed, for example, that prices be utilized "more extensively and boldly" as a control tool. For example, why not to raise prices of unprofitable "trifles" so that their production, becoming profitable, would expand?

Undoubtedly, such logic is a step forward as compared with old stereotypes of thinking. However, it is important not to stop here and to take the next step: To realize the impossibility of an efficient operation of economic mechanisms within the framework of the present system of directive planning. After all, the same "trifle," which was discussed, has begun to disappear from circulation not only and even not so much because it is unprofitable. Experience shows that even an increase in the price of a "trifle," which transfers it to the category of highly profitable articles, does not result in production expansion.

Let us take the sadly known history with buckwheat, which in plans for the sale of agricultural products, in essence, appears as this very "trifle." Buckwheat is not very productive and, therefore, unprofitable from the point of view of the grain plan. Purchase prices of this crop rose repeatedly, both directly and indirectly (through the introduction of markups), which ultimately made it very profitable. However, areas under buckwheat were reduced steadily for the simple reason that profit for farms did not at all serve as the strong incentive that it sometimes is considered. Farm managers reasoned that feed could not be bought with money, preferring the fulfillment of the plan for gross sale of grain to an increase in profit. It is highly significant that a certain expansion of areas sown with buckwheat was visible only when it began to be bartered for feed. For

every quintal of buckwheat sold to the state the sovkhos or kolkhozes received the right to purchase 1 quintal of mixed feed or grain fodder. It is no less significant that after the bartering for feed was stopped, the sale of buckwheat decreased again.

Thus, only physical, not monetary, incentives are effective.

There is another closed circle: At first planning bodies create a deficit of products and then try to correct it through a centralized distribution of scarce resources. In essence, money and economic incentives are driven out of economic practice—a well-working collective receives incentives in kind: for 1 quintal of buckwheat, so many tractors, fertilizers, feed, and so forth; for 1 quintal of rape, a strictly determined amount of oil cakes, spare parts, superphosphate, and so on and so forth. This circle is not only closed, but also faulty. As already stated, there are too many—millions—proportions here and to count and coordinate everything in a substantiated manner is physically impossible.

Thus, in their essence economic incentives and directive planning of physical indicators are antipodes: Where there is a directive plan in kind, incentives cannot work and, conversely, where incentives operate, directive planning is not necessary and is even harmful.

Market self-adjustment and planning, be it directive or indicative, are the same antipodes. The concept of "market" includes three elements: uncontrolled supply (freedom of production), uncontrolled demand (freedom of purchase), and uncontrolled price, which balances supply and demand. If even one of these three elements is absent, there is no and cannot be a full market and the forces of self-adjustment and automatic control do not come into force.

As applied to our present problems, perhaps, it is especially important to stress that the market is by no means compatible in everything even with economic incentives, on which such big hopes are pinned now. For example, setting prices from above—even with an abolition of production address assignments in kind—we cannot and should not expect the self-control mechanism "to start operating." No automatism, no effect of "built in regulators" of economic life, should be expected in this case. A balance in the economy will be maintained only through a change in prices set from above in accordance with the planned procedure. Where planners do not want or "do not manage" to change them at the proper time, disproportions will arise inevitably. If, for example, prices of scarce products are not raised, they will remain scarce anyway. And if the State Committee for Prices does not set the price of new equipment so as to properly distribute the economic effect between the producer and the consumer, new equipment will not be produced or introduced.

An example. The Voskresensk Minudobreniya Association, having spent millions of rubles on improving technology, in the first quarter of 1987, finally, changed over to the output of high-quality ammophos and nitroammophos alone. The content of nutrients per ton of fertilizers is the basic quality indicator here: The more nutrients per unit of weight and the less dirt per ton, the higher the quality. However, the rates per ton of fertilizers in effect were not changed despite the combine's repeated requests. Therefore, its profit was lowered during the first quarter. The same quantity of nutrients was produced, but the production volume in tons and, consequently, gross proceeds were reduced. The combine, which paid for technical progress, was forced to lower the volume of higher-quality output in the second quarter, after which things again went well.

Now, when many enterprises receive the right to plan part of the output independently and when supply changes over to wholesale trade, essentially, the same functions that previously were fulfilled by directive products list plans are assigned to prices and norms. Errors in setting prices and norms can cost us no less than yesterday's and today's miscalculations in directive planning.

However, a little later about this. Now let us turn to our main question: Which of the described systems—directive planning, indicative planning, or the market—is preferable?

The history of Soviet economic thought knows many disputes on this topic, including with tragic outcomes. To this day, however, there is no ready answer, or at least a generally accepted abstract theory. One of Lenin's last works—"O Kooperatsii" [On Cooperation]—formulated the fundamental thought that "...the system of civilized cooperators with public ownership of means of production and with a class victory of the proletariat over the bourgeoisie is the system of socialism" and that "...a simple growth of cooperation for us is identical... with the growth of socialism and, along with this, we are forced to admit a fundamental change in our entire point of view of socialism" (our emphasis—V. P. and N. Sh.).<sup>1</sup>

The fundamental change in the point of view of socialism consisted in the following: Just as cooperatives, naturally, have the right to decide independently what products to produce and to whom and at what prices to sell them, so the cooperative economy works on principles of market self-control, while planning, be it directive or indicative, can be only the result of a voluntary agreement among all cooperators. This was a revision of the ideas of Marx and Engels, who as is well known, believed that under socialism there should be neither commodity production, nor commodity-money relationships, nor money.

During the subsequent 5 years the economy set free as a result of the introduction of the New Economic Policy, in fact, developed very well, primarily, on the basis of



market self-adjustment supplemented by price control. From the end of the 1920's, however, the New Economic Policy, in essence, began to be curtailed: In 1927 production plans were introduced for trusts, in 1928 syndicate trade was replaced with distribution according to allocations and orders, and in 1929 syndicates were transformed into sectorial industrial associations—the intermediary link in the system for the management of industry through people's commissariats. At the end of 1930 only 5 percent of the industrial output was delivered on the basis of contracts between suppliers and consumers, as compared with 85 percent during the previous year. Sectorial people's commissariats began to control in detail the current economic activity of subordinate enterprises. In combination with the collectivization of agriculture (plans also began to be established for kolkhozes) and other reforms, in particular the 1930 credit reform, which prohibited commercial credit (by some enterprises to others) and replaced it with planned bank crediting, all this meant that indicative planning and market self-adjustment were replaced with a system of strict directive planning. Such a system was consolidated definitively by the end of the first five-year plan.

The opinion that commodity-money relationships were only the attribute of the transitional period and that they should wither away when socialism is basically constructed gained strength in the economic theory of that time. At the end of the 1920's and the beginning of the 1930's many economists planned a transition from trade to a planned product exchange. The People's Commissariat of Foreign and Domestic Trade even adopted a decision to establish a special scientific research institute for the study of problems of consumption, exchange, and distribution at all the stages of transition from the market commodity exchange to the planned product exchange.

However, even during the 1930's, under the conditions of widespread directive planning, commodity-money relationship in no way disappeared in real life. There was a gap between theory, which denied the operation of the law of value and the existence of commodity production under socialism, and reality, out of which despite everything money could not be driven out. At the beginning of 1941 during a discussion of the model textbook on political economy at the Central Committee of the All-Union Communist Party (of Bolsheviks) Stalin came out against the economists who denied the operation of objective economic laws under socialism, including the law of value, and advanced the tenet of the existence of commodity production under conditions of socialism.

Such a point of view was later supported by participants in the economic debate of 1951 devoted to a discussion of the same model textbook and was affirmed in Stalin's work "Ekonomicheskiye problemy sotsializma v SSSR" [Economic Problems of Socialism in the USSR] published the following year and, finally, in the first Soviet textbook on political economy, which appeared in 1954.

It maintained that under socialism "commodity production of a special kind" exists and that this is due to the existence of two forms of property—state and kolkhoz (in the state sector, in the part that produces means of production, the existence of commodity-money relationships was denied completely). It was assumed that, as kolkhoz property becomes a hindrance to the further development of productive forces, it will move up to the level of public property and commodity circulation will be transformed into a direct product exchange.

After some time this primitive view was rejected and following a number of debates at the end of the 1950's and in the 1960's most political economists arrived at the conclusion that commodity production remains under socialism to the extent that there is an objective need for the economic independence of individual production units (enterprises and kolkhozes) and, consequently, their certain economic isolation is inevitable. However, theoretical disputes were not without a trace for economic practice and economic policy. In this respect one example is especially significant. From the time when the tenet of the "inferior" nature of cooperative, not to mention individual, property was placed on a theoretical basis, the policy of transforming kolkhozes into sovkhozes and displacing the private subsidiary sector began to be implemented actively. The share of kolkhozes in the total commodity output of agriculture was lowered from 61 percent in 1940 to 41 percent in 1985 and the share of the private subsidiary sector, from 27 percent in 1940 to 10 percent in 1985, whereas the share of sovkhozes rose from 12 to 50 percent during that period.

The development in the 1960's of the theory of optimal planning of the socialist economy gave a completely new turn to the debate on commodity-money relationships in the socialist economy. This theory was developed primarily through the efforts of academician L. V. Kantorovich, an outstanding Soviet scientist and mathematical economist. In 1939 he published the work "Matematicheskiye metody organizatsii i planirovaniya proizvodstva" [Mathematical Methods of Production Organization and Planning], which set forth the principles of the theory of optimal planning and linear programming. His second work written mainly in the early 1940's—"Ekonomicheskiy raschet nailuchshego ispolzovaniya resursov" [Economic Calculation of the Best Utilization of Resources]—was published in 1959. Along with formulating the dynamic variant of the basic problem in production planning, it also developed the concept of so-called objectively determined evaluations. According to the testimony of many specialists, this book produced a genuine revolution in their economic thinking. Works by L. V. Kantorovich were awarded State and Lenin prizes. The priority of Soviet science in this field was recognized abroad. L. V. Kantorovich himself—the only Soviet economist—was awarded the Nobel Prize.

If we simplify the formulation of the basic problem in production planning, putting it in everyday language, we will get the following: Let us assume that society could

determine the goal of its economic development in such a way for 1 year or a 5-year period: It is necessary to produce such and such final products in a strictly determined quantity (arms for defense, roads and buildings for public services and amenities in cities, and so forth), but we have decided to consider other final products (foodstuffs, clothing, furniture, household appliances, and so forth) complete sets, fixing their structure in advance, and the more they are produced, the better. Let us assume that society knows exactly all its resources (manpower, land, minerals, fixed capital, material stocks, and so on) and, moreover, the multitude of methods of transforming resources into products (if a plant is built at a given place and with one technology, it will be necessary to use up so much equipment and so much manpower and raw materials and to perform such and such a number of transport operations, and so forth, if this plant is built at another place, another quantity, if capacities are expanded at the old plant, still another, and so forth. Finally, some resources—for example, minerals—are nonreproducible and their depletion during the planned period can demand increasing expenditures on extraction or import and so forth). With such initial data by means of purely mathematical methods it will be possible to find out what precisely interests us: Where exactly plants should be built, what technology should be applied, and what suppliers should be attached to what consumers in order to obtain the maximum useful effect (the biggest number of complete sets of consumer goods), that is, to best utilize limited resources.

Moreover, it proved to be possible to give a clear answer to the following question: What should the evaluations of all resources be so that the sum of expenditures of resources utilized during the implementation of the optimal production plan is minimal? To put it more simply, it was shown that there is one and only set of evaluations of resources and products possessing the following remarkable property: If on the basis of these evaluations prices are set and enterprises are permitted to produce whatever they like, they, trying to maximize their profit, will choose a production structure, which corresponds exactly to the previously calculated optimal plan.

In essence, this discovery placed the concept of indicative planning on a firm theoretical foundation. It was demonstrated in a strictly mathematical way that there is a way of linking and coordinating the interests of all society with the interests of individual production collectives, not presenting [from above] directive assignments to them for the production of products in kind and in no way infringing on their independence. Through the setting of prices of resources and products on the basis of objectively determined evaluations society got the opportunity to affect economically, not administratively, producers in such a way that they, pursuing only their own advantage (maximizing their income), ultimately, would be of the greatest benefit for all society.

An analogy with the principle of the "invisible hand" known in economic science, which was already formulated by Adam Smith, is appropriate here. This is how he called automatic market control and self-adjustment ensuring a balance of the national economy under conditions when every "economic person" is egoistical and pursues his own mercenary interests: The producer tries to obtain a little more profit, the consumer, to spend his income in order to obtain the maximum useful effect, the tradesman, to buy more cheaply and to sell more expensively, and so forth, but all of them with an "invisible hand" (market) head for a goal (public well-being), which they have not pursued at all...

Conversely, the analogy is incomplete. The market is always blind and cannot ensure society's long-term interests, for example, in what concerns an efficient utilization of nonreproducible natural resources, formation of an optimal consumption structure (everything that is sold is consumed and with a good advertisement it is possible to sell whatever one likes—from guns to pornography), and so forth. Indicative planning is the "conscious invisible hand," which ensures public well-being, first establishing in what it lies.

"Prices" calculated by "optimalists" differ from market prices both qualitatively and quantitatively. Pure market prices are formed spontaneously, reflecting the entire diversity of tastes, habits, and preferences by individual "economic people"—producers and consumers. On the contrary, objectively determined evaluations are calculated in one's head and on paper on the basis of the adopted aim (optimal plan) and reflect the concept of economic expediency formed in one way or another in the center. Therefore, in their very nature objectively determined evaluations are only a method, means, and tool of realization of the optimal plan.

In other words, both directive and indicative planning imply the possibility and inevitability of selecting the most preferable of many variants. The possibility of such a selection in the planned economy always exists and this selection is made in one way or another in practice. However, the entire matter lies precisely in how, in what ways, this selection is then realized—by presenting strict assignments for the production of products in kind to producers, or by affecting them by means of prices and taxes.

To be sure, it is time to ask the following question here: What is the difference between the directive and the indicative optimal plan? If, ultimately, both lead, although in different ways, to the same result—to the realization of the best possible production program—is it really important how exactly this is attained?

It turns out that it is. First of all, because under present conditions and, moreover, in the visible future, when it is absolutely impossible to calculate accurately the directive optimal physical plan, or objectively determined evaluations for the optimal indicative plan for the entire

list of produced articles, under these conditions the results of directive and indicative planning are inevitably different. If everything is planned directly, the unconsidered and unforeseen variant, for example, an unexpectedly arising technical solution, in no way can be realized (after all, stocks are all allocated and consumers are attached to suppliers, but the realization of any unconsidered variants is possible only with a plan correction). If, however, only prices are set in a planned manner, profit variants, which were not considered previously, will be realized without fail. True, a certain disruption in the balance, of course, will become the consequence and this will require a price correction in the process, or giving up their planned setting completely.

It turns out that with unconsidered variants (they always exist, their number being bigger by several orders of magnitude than that of considered variants) the right of the production collective to select what is not envisaged by society under conditions of indicative planning is transformed from formal into real. This selection is really made, whereas with directive planning there is not even a formal possibility of such a selection.

However, shortcomings in indicative planning should also be visualized clearly. Economic normatives and incentives are far from all-powerful. The State Committee for Prices, which annually approves 200,000 prices and rates for goods and services (85 to 90 percent of all the prices in one way or another "pass" through this department and 42 percent of all the wholesale prices in effect are directly set by it), is physically unable to ensure a level of scientific substantiation of price formation acceptable to the slightest degree.

Try to calculate exactly on paper in an office the price of even one commodity so that it may adequately reflect socially necessary expenditures of labor, or the degree of balance of supply and demand. This will not and cannot happen, because all prices are interconnected and the price of one commodity depends on the prices of others.

In order to determine socially necessary labor expenditures on the production of 1 square meter of fabric, if we recall the already cited example, it is necessary to know normative expenditures of dyes on the output of fabrics, of oil on the production of dyes, of electric motors on the extraction and pumping of oil, of wire on electric motor winding, and so forth. There are too many proportions here and it is impossible to take everything into consideration accurately. Or, in order to determine to what extent prices of scarce fabrics should be raised to balance supply and demand, it is necessary, among other things, to know to what extent the demand for other consumer goods will be reduced (expand) owing to the increase in the price of fabrics (for example, the demand for needles and threads will expand, because the production of

fabrics will increase and people will sew more, but, possibly, the demand for services of tourist bureaus will be reduced, because the population will spend more on clothes by saving on trips).

In the world of prices everything is interconnected and the slightest change in one element is transmitted in a chain to millions of others. It is as difficult to calculate prices with an acceptable accuracy as the balanced plan in kind. This is not the subjective opinion of a certain economist, but a proposition in the theory of optimal planning proven in a mathematically accurate way. With indicative planning, in other words, as with directive planning, 100-percent rationality, which is possible in theory, proves to be unattainable, unrealistic, and utopian in practice. In theory it is possible to turn over the terrestrial globe if there is a fulcrum, but, in practice, it does not exist.

In the press there is now a wide discussion of the price formation reform. It is written that prices of raw materials are set too low, that power resources in our country are the cheapest in the world, and that prices of agricultural products already reflect not so much socially necessary expenditures as vast subsidies from the treasury. Everything is correct. However, these are the biggest disproportions and, therefore, noticeable with the naked eye. If an entire sector, for example, the coal industry, is unprofitable, it is possible to boldly write that coal prices, which are set too low, are to blame for this. Can *a//* the sector's labor collectives really work poorly and inefficiently?

And if we depart a little further from the general arguments at the "more-less" level and ask the following questions: By exactly what amount should coal prices be raised and how to take into account in profit taxes extraction conditions, which even in two mines located next to each other are not the same? And if we ask the following: To what extent is the fact that in the same city, Moscow, Trekhroka spends 4 man-hours per ton-count of yarn, but the Osvobozhdenyy Trud Factory, 24 due to subjective circumstances (quality of the collective's work) and to what extent, to objective ones (technical equipment, quality of raw materials, and so forth)?

A shortage of prescriptions for finding a "price fulcrum" seemingly is not felt. It is proposed that energy expenditures and normative labor intensiveness are used as a universal measurer. The State Committee for Prices intends to set prices on the basis of progressive norms of labor and material expenditures and to change over to calculating the value of a unit of useful effect, not a unit of output as before. As is asserted, in agriculture a "scientifically substantiated price" should take into account producers' resource potential (soil point, specialization, location, provision with labor, and so forth). Why, these kinds of calculations are performed throughout the world. They are necessary if it is a matter of theoretical research. It is only important to realize that attempts at controlling live, real prices in accordance



with certain far-fetched structures and regular "universal principles" can bring nothing but harm. We know too little about such a very complex social interrelationship as price is and our theoretical concepts of it are too primitive.

Incidentally, why, to begin with, should price construction theoreticians not test their schemes on world market prices? After all, to this day neither in the West nor in our country are there models that would explain (forecast) with any acceptable level of accuracy the dynamics of price ratios on the free market. Is it not clear that the scientifically substantiated approach to price setting in our economy absolutely implies an exhaustive and full knowledge of the laws of market price dynamics and precise ideas of what exactly they do and do not reflect, what they do and do not stimulate? Yes, market prices are imperfect. Our prices should be free from their shortcomings. However, we must not only understand, but also calculate, these shortcomings accurately in order not to repeat market "mistakes" when constructing our prices. Otherwise, price setting from above will remain an arbitrary rule and coercion over economic reality and will lead to incomparably bigger disproportions and expenses than market price formation.

Strictly speaking, this problem is right now aggravated to an extreme in connection with the transition to self-financing. Since 1988 enterprises and associations producing about 60 percent of the total output have been operating according to this system in industry. Ministries have embarked on the path of setting individual normatives of deducting profit into the budget differentiated throughout enterprises, that is, in fact, profit taxes. They were calculated so that the profit left at an enterprise corresponds to planned indicators set for 1988-1990. For example, the Sumy Scientific Production Association now hands over 29 kopecks per ruble of profit, the Volga Motor Vehicle Plant, on the order of 50, the Kama Motor Vehicle Plant, more than 70, and Magnitka and the Dnepropetrovsk Dneproshina Association, approximately 85 kopecks. Only the Ministry of Chemical and Petroleum Machine Building established a unified progressive taxation scale for all enterprises and, at the same time, introduced strict restrictions on the amounts of funds for material incentives and social and cultural measures, so that the amount of profit, essentially, is reflected only in the production development fund. What should be done? Is it fair to establish a unified normative for all enterprises if production conditions at them are different? Who calculated what part of the profit the collective acquired "rightfully," with its own sweat, what part, because subcontractors did not disappoint it, like others, and what part, because it is in a region where there is a surplus, not shortage, of skilled personnel?

And what is to be done with the differentiation of taxes throughout enterprises producing different products, or even subordinate to different ministries? After all, the production development fund depends on profit left at

the enterprise. Consequently, production will be expanded in an especially rapid manner in sectors where taxes are lower. Try to determine what taxes are necessary so that at given prices public need for both an "eight by ten" wrench and for lorry trailers is accurately met, taking into consideration that these needs are interrelated not in one line, but several lines (nuts in trailers are tightened with wrenches, steel billets, from which wrenches are made, are transported in these very trailers, and so forth).

There is no need to continue. Such questions can be asked endlessly. It should be realized that we will not get accurate answers to them today or in the foreseeable future. *Comprehensive indicative planning of what we physically are not able to plan, ultimately, turns out to be almost as harmful and impossible in reality as comprehensive directive planning.* Therefore, in practice, it is probably reasonable to use the tools of both directive and indicative (economic) planning for controlling only the production of a strictly limited assortment of articles. And this only when there is substantiated confidence that we know how many and precisely what articles are needed, or when there is such confidence that market prices will prove to be a worse controller.

In other words, we need not this, or the other, or the still other, but this, and the other, and the still other *simultaneously*. However, the entire matter lies in what this combination of this, the other, and the still other should be and in what proportions should the directive plan, the indicative plan, and market self-adjustment be combined in a single economic mechanism.

#### So, What Plan Do We Need?

Let us now go back to the question with which we began: Nevertheless, what plan does socialism need and does it need it at all? Obviously, there is a need for a system, which best corresponds to the nature of socialism and its supreme goal—ensuring the maximum well-being and full all-around development of all the members of society.

The choice is difficult. Here it is not only a matter of purely economic efficiency, but also of spiritual values, our environment, the legacy that we will leave to future generations, and, finally, social justice. Incidentally, the same L. V. Kantorovich, who all his life engaged in the optimum and in a search for the best variants, said that he would have preferred not the optimal state, but, on the other hand, a state meeting the principles of social justice. Every control system has its own pluses and minuses and one must also realize this.

Pure market control is associated with a big and not always justified social differentiation, poorly ensures economically efficient solutions when it is a matter of long-term plans, which cannot be evaluated when one is motivated by a momentary advantage alone, and is not always effective in spheres where unique, inimitable, and

irreproducible products are created. Let us take fundamental science: All big discoveries were not made on the expectation of a wage increase, although the introduction of applied research results into production, indeed, proceeds better where this matter is placed on a commercial basis.

Finally, under present conditions market control is inevitably associated with a rise in prices. A free, nonmonopolized market is the remote past, the 19th century, and, strictly speaking, was not completely free even then. Markets now existing in the West and throughout the world are monopolized to one extent or another and are divided among several major producers, so that the price is formed not only under the effect of a free play of market forces, but also as a result of a monopoly agreement even if it is not formulated.

In our economy the level of monopolization is almost the highest in the world. In many sectors only one or two monopoly enterprises produce specific products. In fact, how many plants in our country produce steel, motor vehicles, tractors, bearings, and so forth? Yes, we know all of them from newspapers. In every case they can be counted on fingers in the literal sense of the word. Sewing machines are altogether produced only by the Podolsk Plant and it is not difficult to imagine how prices of "Chayki" will soar if in the atmosphere of the present deficit they will cease to be set from above.

However, this is only one aspect. The other lies in the fact that social and economic systems, or planning systems, which are not at all connected with any expenses, unfortunately, are not yet known to mankind. Everything is bad, everything is imperfect—directive planning, indicative planning, and market self-adjustment. However, each of these systems has its own, although limited, pluses. We do not have other mechanisms of economic control at our disposal—they simply do not exist in nature. No matter how strongly we would like to organize everything efficiently and without losses and no matter how fervently we would like to make all the bricks of the economic building fit each other without the slightest crack, this is not yet within our power. The costs of our present system of directive planning, including those that take the form of fully tangible material losses due to poor specialization and excessive stock and capital intensiveness of production, have already been discussed. These losses alone are several-fold bigger than those existing in any market economy.

Ultimately, purely economic efficiency is also by no means of the last significance. One of the fictional novels by A. and B. Strugatskiy paints a remarkable picture of economic displacement of capitalism by socialism: Not having been able to withstand the competition of cheaper goods produced in socialist countries, the "celebrated empires of the Morgans, Rockefellers, Krupps, and all sorts of Mitsui and Mitsubishi" went bankrupt and "are already forgotten". Only in both Americas, where

"money is still in circulation, several millions of stubborn hotel owners, real estate agents, and dejected craftsmen" remain and "sizable enterprises for the production of fine mattresses for narrow consumption..." survive "and even these are forced to take refuge in slogans of universal prosperity." Such a situation, which is very remote from present reality, is the secret dream of any Marxist economist—a kind of New Economic Policy on a global scale, a purely economic, commercial victory of socialism over capitalism based precisely on higher production efficiency in the planning system.

According to Lenin's idea, labor productivity is the most important, chief thing for the victory of the new social system: "...Socialism requires a conscious and mass forward movement toward higher labor productivity as compared with capitalism... Socialism should carry out this forward movement in its own way, by its own methods—let us say more specifically, by Soviet methods." Consequently, Soviet planning methods should ensure the highest production efficiency. And if we want it to be really so, we have no other way but to give up directive planning of the bulk of production, because it is now obviously inefficient.

From a purely theoretical point of view, a good plan balanced in all items is better than the market. However... the market, of course, makes mistakes. A balance on it is established only through an imbalance, through constant deviations from the balance. However, the market is also self-adjusting. It constantly gravitates toward a state of balance, whereas an imbalanced directive plan completely rules out a movement toward a balance. Therefore, an imbalanced plan is much worse than the market and is associated with much bigger losses than automatic market control.

At times it seems that, if the planning service is strengthened and its work is improved, if a decree on an increase in the balance and scientific substantiation of plans is adopted, if Gosplan and Gossnab staff is increased, if the introduction of computer hardware into supply offices is accelerated, and so forth, it will be finally possible to coordinate everything within the framework of the centralized plan. In reality, this is an illusion, a semblance, and a stereotype of thinking formed in our country in the last half a century, during which we could imagine nothing but a directive plan. The list of products now runs not into thousands, but tens of millions, and only the market mechanism of self-control can play the role of the main intermediary between producers and consumers.

*Simple common sense suggests that in no way should more than several hundreds of key items be planned directly (production volumes should be determined) or indicatively (prices should be determined). This is precisely the quantity, which under the most favorable circumstances we can physically calculate at the present level of knowledge and development of information collection and processing techniques. All the remaining products*



*should not be planned at all, neither directly nor indicatively, because it is impossible to the slightest extent to plan them in a substantiated manner and unsubstantiated planning costs much more than market self-adjustment.*

In all economic sectors we now need, like air, enterprises, both big and small, operating without any plan assigned from above, simply according to agreements and contracts with other enterprises and organizations. Such enterprises operating on full cost-accounting principles can be individual, cooperative, and state. Selling products and offering services at contractual prices, they could "fill" numerous "holes" in our imbalanced economy, "undo" many bottlenecks, and eliminate deficits of the notorious "trifles," which especially irritate everyone. Such enterprises should also be supplied without orders and limits—through wholesale trade in raw materials, accessories, and equipment. In brief, we need a full-value market—free sale, not delivery, of products to be credited toward plan fulfillment and free purchases of resources, not their distribution from the center.

We are now entering the decisive stage in restructuring in planning: It was decided that as of the beginning of 1988 enterprises in processing sectors will plan from 30 to 50 percent of the products independently, without directives from above as to what to produce and in what quantities. This is the most radical change. We have not known anything like this for more than half a century. Now it is important to see to it that this matter is not limited to half-measures and that the resistance of ministries, departments, and local authorities does not once again reduce, through instructions and circulars, radical decisions to another "improvement" in the existing planning mechanism. During the expansion of the economic independence of enterprises (not "simultaneous strengthening of the role of centralized planning," but precisely limitation of its sphere) and the transition from allocated supplies to wholesale trade it is important to introduce floating, flexible contractual prices *simultaneously*, discontinuing the practice of issuing a decree concerning them from above. Finally, it is important to firmly realize that the radical nature of restructuring in planning lies precisely in giving up centralized directive planning and allocation not only of "trifles," but of the main, predominant part of output, in order to simultaneously stop setting from above (deregulate) prices of goods and services forming the bulk of the wholesale and retail turnover.

And about another matter. A great deal is written in our country about how the economic mechanism should be restructured in order to ensure both an increase in efficiency and social justice and numerous plans for an ideal organization of economic life are put forward. In no way trying to diminish the importance of such developments, we would like to note that, at the same time, one simple consideration nevertheless is overlooked: The Soviet economy is an existing organism possessing its own internal patterns of functioning and in many

respects developing irrespective of the good wishes of economic science and the most refined and effective prescriptions for restructuring the economic mechanism.

Are there not enough examples in history, when noble and lofty ideals and progressive and reasonable aspirations of some people and even large social groups remained only ideals and aspirations, not finding a practical realization? Life as a whole and economic life in particular has the characteristic of taking its normal course for better or worse, picking out from countless reformatory ideas only those that suit it at a given moment and a given place.

Quite recently our inability to somehow affect the existing course of things was especially noticeable. "In the planned, according to its concept, state we have long been developing spontaneously... Plans stamp inertial development and fix what rolls by itself from one five-year plan to another." These words by our famous economist N. Ya. Petrakov, corresponding member of the USSR Academy of Sciences, reflect in the most accurate way the crux of the matter, because there is nothing more anarchic than an imbalanced plan. Of course, in this case spontaneity and anarchy do not signify a lack of patterns, but determine the form and nature of operation of economic laws. They are realized not through directives and orders by planning bodies, but without and often even despite them.

Planners believed that they could do everything and that precisely they determined the directions in the development of the economy and regulated its diverse proportions and relationships. In fact, however, there was nothing farther from the truth. The results of actions by planning bodies were hard to predict and at times even directly opposite to what was expected. The system proved to be more powerful than planners: They did not lead it, but it led them. As any complex organism, whose patterns of development are poorly studied, the economic system absorbed and dissolved in itself the orders and prohibitions of directive bodies, continuing to live its own life and to move in its own way known only to it and washing away or as a last resort skirting, like a powerful river, around all the arising obstacles.

To this day we know very little about real, genuine—not devised in offices by political economists—patterns in the development of the administrative system, which for more than half a century was not a part, but the main core, of our entire life. Meanwhile, it is quite evident that industrialization at the expense of agriculture, "excesses" in collectivization, aggressive intolerance toward all market and commodity-money relationships, and many other things are not the consequences of the malicious intent of one person or even some social group, but objective patterns in the formation of the administrative system, which, incidentally, have been subsequently revealed on a bigger or smaller scale in other socialist countries as well. Economic disproportions, growth of stock intensiveness and underloading of

production capacities, orientation toward gaining a momentary advantage by shifting costs "to later," outstripping growth of wholesale prices of finished articles as compared with prices of industrial and agricultural raw materials, withdrawal of the surplus and sometimes even necessary product from agriculture in favor of industry, and again many other things—these are also objective patterns, true, not in the formation, but functioning and development, of the administrative system. Finally, the fact that the administrative system exhausts itself, is self-destroyed, and is replaced with a system based on economic incentives or market self-adjustment only at a certain stage in its development, apparently, is no less natural.

Why does everything turn out this way? Why? To this day this question remains without an exhaustive answer.

The unfolding restructuring, just as any social and economic process, has its own patterns and as yet we understand them very poorly. For example, do we know much about mechanisms of deceleration except that they exist, are very strong, and are connected mainly with bureaucracy? Yet our own experience in this respect is almost the richest in the world. Both 10 and 20, as well as 30, years ago there were people among economists, who seriously analyzed the disproportions and costs of the administrative system and convincingly demonstrated the need for an extensive introduction of economic incentives and market mechanisms. And if the administrative system did not change too much during all those years, not a lack of ideas, but of effective possibilities to implement them, was to blame for this. In the economy, as in technical sciences, the introduction stage invariably was the weakest link.

Unfortunately, the limited scale of debates controlled from above, administrative methods of resolving scientific disagreements, cachectic statistics, bans on an investigation of many cardinal problems, artificially raised barriers on the path of an international exchange of ideas, and a scornful attitude toward Western economic research as completely vulgar and apologetic—all this could not fail to affect the development of economic science, which, as any other science, is of a world nature. Nevertheless, it is impossible to say that economic scientists are only indebted to the people, because at all times there have been researchers proposing cost accounting, self-financing, and economic methods of management. Our principal, main trouble is that their proposals were not realized and implemented in practice. And not through their fault.

Now, when the cloud, which for a long time covered the most important periods in the development of biology, history, cybernetics, and genetics, is lifting gradually, it is to be hoped that a true, complete history of Soviet economic thought will also be written. And if we are to say who is indebted to whom, to be sure, planners and workers at different "apparatuses" to economic scientists. Who at one time nullified the 1965 economic

reform? Who cut back the Shchekino method at the root? Are there not enough examples? Even when good decisions were adopted "above," they were invariably emasculated, being lowered down the steps of the bureaucratic pyramid, so that, even if they reached enterprises and organizations, they did so in an extremely cut down form.

For example, the decree of the Council of Ministers on transferring to cost accounting sectorial scientific research organizations—the main sector of our science, in which about 700 people, that is, almost one-half of all the scientific workers, are now employed—was issued as long ago as 1961. A quarter of a century—a long period, during which young fathers managed to become grandfathers—passed. Another 70 (!) statutes and instructions of all kinds concerning the "development and intensification of cost accounting"—on the establishment of economic incentive funds in scientific research institutes, expansion of managers' rights, and so forth—were adopted, but, in essence, nothing changed. Now we again say that cost accounting in sectorial science remains formal and that it must be made real, but those familiar with the problem know that the very first decree adopted a quarter of a century ago simply has not been fulfilled to this day. For more than 25 years good ideas "have been strolling" throughout instances and are considered interesting, necessary, and useful, but in no way can be realized in daily economic life.

And with what difficulty does the establishment of cooperatives, individual enterprises, and joint firms with the participation of foreign partners proceed nowadays! Everything constantly rests on some old instructions, which, for example, prohibit the registration of trucks belonging to private individuals and cooperatives, conversion of funds in noncash accounts into ready cash, and application of international, instead of domestic all-Union state, standards during the certification of products. "No one abolished" these instructions and often they can be interpreted in this way and that.

Last year it was planned that the state order would encompass only 50 to 70 percent of the products of processing industry enterprises. In fact, however, throughout the industry the state order accounted for 82 percent of the production. In a number of cases ministries continue to plan even the intraplant turnover, that is, articles produced for internal consumption, not for deliveries elsewhere. The state order also includes consumer goods and domestic services for the public on the basis that it is allegedly necessary to ensure a balance of monetary income and expenditure. This argument sounds really like a mockery—as though previously it was possible to interface supply and demand and the population's monetary income and expenditure in a planned manner...

All this once again indicates that there is a need for a serious, sober, and all-around analysis, which is free of emotions, of our past and our present, primarily an

analysis of the mechanism of deceleration. We have been waiting for changes too long. We must see to it that we now do not spoil things on account of "trifles." Naturally, there will be mistakes, they have to be. However, it is especially important to avoid those that we are able to foresee. The holiday-march tone boastful of an easy victory, which once in a while slips into some speeches (it was planned, consequently, we will fulfill) is no less harmful here than pessimism. In essence, such an approach in no way differs from the idea of the possibility of "retraining" oats into wheat, turning rivers back, or "abolishing" the law of value.

There is a need for analysis, an understanding—as accurate as possible—of what we can and what we cannot attain by the measures taken. For example, it is unrealistic to expect that, having replaced the products list plan with normatives, we will be able to get rid of the present imbalance of the economy. Setting all prices and normatives from the center, only from above, is almost as inefficient as comprehensive physical planning. We will inevitably have to move forward, to market self-adjustment, which will also be connected with certain costs—with a rise in prices and not an always justified differentiation of income, for example—but which nevertheless promises much bigger advantages and immeasurably smaller losses as compared with those that we have now.

We must also realize that today a 100-percent ideal is impossible even in theory and that an ideal "at any price" is no longer an ideal and, therefore, it is necessary to think not of a complete elimination of all injustices, losses, and costs (this is not realistic), but of a correlation of pluses and minuses, as well as expenditures and results, in the broadest sense.

#### Footnotes

1. V. I. Lenin, "Polnoye sobraniye sochineniy" [Complete Works], Vol 45 45, pp 373 and 376.

2. Ibid, Vol 36, p 178.

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#### Model Statute on Production, Social Development Fund

18200196a Moscow EKONOMICHESKAYA GAZETA  
in Russian No 21, May 88 pp 17-18

["Standard Provisions Concerning Policy for Formation and Utilization in 1988-1990 of the Production and Social Development Fund (Fund for Scientific-Technical and Social Development) of Enterprises, Associations, and Organizations That Have Been Changed Over to Complete Cost Accounting and Self-Financing"]

[Text] We are continuing to publish methodological materials concerning complete cost accounting and self-financing. In this issue we have printed the "Standard

*Provisions Concerning Policy for Formation and Utilization in 1988-1990 of the Production and Social Development Fund (Fund for Scientific-Technical and Social Development) of Enterprises, Associations, and Organizations That Have Been Changed Over to Complete Cost Accounting and Self-Financing," that was approved by the commission for improving management, planning, and the economic mechanism.*

The present standard provisions have been developed on the basis of the USSR Law on the State Enterprise (Association) and envision in 1988-1990 the following policy for the formation and utilization of the Production and Social Development Fund (Fund for Scientific-Technical and Social Development)<sup>1</sup> of enterprises, associations and organizations that have been changed over to complete cost accounting and self-financing and which, in keeping with existing legislation, form this fund.<sup>2</sup>

#### 1. The Policy for Calculating Stable Normatives for the Formation of the Production and Social Development Fund

1. The Production and Social Development Fund is formed at the enterprises from:

- deductions from profit (income) remaining at the disposal of the enterprises, according to normatives established in percentages of it;
- amortization deductions intended for complete restoration of fixed capital, according to normatives established in percentages of these amortization deductions.

2. In order to calculate the stable normatives for the formation of the production and Social Development Fund (for the various years), the enterprises that first form this fund when changing over to complete cost accounting and self-financing must determine the overall amount of the fund as the sum of the Fund for the Development of Production, Science and Technology and the Social Development Fund.

In order to calculate the Fund for the Development of Production, Science and Technology for the various years one determines the volume of capital investments subject to financing with money from this fund. This volume is the difference between the overall limit on capital investments for the construction of facilities for production purposes taken into account in the calculations for the five-year plan of the enterprise for this period and the volume of capital investments for facilities of the enterprise included in the list of construction projects and objects created from state centralized capital investments.

When one calculates other variants envisioned in the five-year plan and previously financed from profit and budget funds included when changing over to complete



cost accounting and self-financing in the Fund for the Development of Production, Science and Technology. The list of expenditures included in the Fund for the Development of Production, Science and Technology for calculating the normatives for the formation of this fund are given in Section 1 of Appendix No 1 of the present standard provisions.

The sum of the aforementioned capital investments and expenditures forms the overall amount of the Fund for the Development of Production, Science and Technology. In order to calculate the funds for social development one first determines the amount of money deposited in this fund under the conditions of the changeover to complete cost accounting and self-financing in keeping with the calculations of the five-year plan.

To this end the Social Development Fund established in the calculations of the five-year plan according to indicators for 1988-1990 (for the various years) is increased by the sum of expenditures on the construction of housing and other facilities for nonproduction purposes envisioned in the plan for capital construction for the 12th Five-Year Plan (except for expenditures taken into account in calculations of the five-year plan for these purposes using money from this fund (and expenditures financed previously from the budget and under the policy of distribution of profit.

The list of funds, expenditures, and outlays included in the Social Development Fund for calculating the normatives is given in Section 1 of Appendix 1 to the present standard provisions.

The sum of the Fund for the Development of Production, Science and Technology and the Social Development Fund calculated this way is the overall amount of the Production and Social Development Fund that is used for calculating normatives for various enterprises which form this fund for the first time when changing over to complete cost accounting and self-financing.

In order to help calculate stable normatives for the formation of the Production and Social Development Fund for the various years, the enterprises that formed this fund before changing over to complete cost accounting and self-financing increased the Production and Social Development Fund established in the calculations of the five-year plan according to the indicators for 1988-1990 (for the various years) by the sum of expenditures on conducting technical reequipment, reconstruction and expansion of existing production and also for the construction of housing and other facilities for nonproduction purposes envisioned in the plan for capital construction for the 12th Five-Year Plan (except for expenditures taken into account in calculations of the five-year plan for these purposes using money from this fund (and expenditures financed previously from the budget and under the policy of distribution of profit.

The list of money, expenditures and outlays included in the Production and Social Development Fund for the calculation of normatives by enterprises which form this fund before changing over to complete cost accounting and self-financing is presented in Section 2 of Appendix No 1 of the present standard provisions.

The overall amount of the Production and Social Development Fund calculated this way is used to calculate the normatives for the enterprises that form this fund before changing over to complete cost accounting and self-financing.

After calculating the overall amount of the Production and Social Development Fund one determines the sources for its formation: profit (income), amortization deductions intended for complete restoration of fixed capital, earnings from the sale of unutilized property, and other planned sources.

The amounts of the normatives for the formation of the Production and Social Development Fund are calculated by devoting the parts of the fund formed from deductions from profit (income) and amortization deductions, correspondingly, by the sum of profit (income) left at the disposal of the enterprises and by the sum of amortization deductions intended for complete restoration of fixed capital.

3. In order to provide for stability of the conditions for the operation of enterprises, normatives for deductions into the Production and Social Development Fund from profit (income) left at the disposal of the enterprises are averaged for the various years of the five-year plan.

An example of a calculation of averaged normatives is given in Appendix No 2 to the present standard provisions.

4. For less profitable enterprises and those that are planned to operate at a loss and apply a form of cost accounting based on normative distribution of profit the normatives for the formation of the Production and Social Development Fund are determined by dividing the funds calculated in keeping with Point 2 of the present standard provisions by the sum of the profit and progressively decreasing subsidies from 1988-1990 for less profitable enterprises and the sum of savings obtained from reducing losses calculated by a growing total by 1988 and progressively decreasing subsidies for 1988-1990 for enterprises that are planned to operate at a loss.

The fund-forming indicator for less profitable enterprises is composed of profit and the progressively decreasing sum of subsidies and for enterprises that are planned to operate at a loss—the sum of savings from the reduction of losses and a progressively decreasing sum of subsidies.

Examples of the calculation of normatives for enterprises that are planned to operate at a loss are given in Appendix No 3 to the present standard provisions.

5. Stable normatives for the formation of the Production and Social Development Fund of Enterprises are approved by the ministry (department) with the agreement of the corresponding trade union committee. When approving these normatives it is necessary to make sure that there is a correspondence between the amounts of the Production and Social Development Fund of the enterprises and the amounts of this fund for the ministry (department) as a whole (taking the centralized fund into account).

## II. Policy for Forming Production and Social Development Fund

6. The absolute amounts of the Production and Social Development Fund are determined by the enterprises in the plan and in reality by multiplying the normatives determined in keeping with Point 2 of the present standard provisions by the amounts of the corresponding fund-forming indicators calculated as a growing total from the beginning of the year.

The Production and Social Development Fund is determined each quarter according to approved normatives.

The amounts of the Production and Social Development Fund calculated this way are increased by the sum of earnings from the sale of unutilized property, rent payments (if leasing property is not the main activity), and funds received by the enterprises from the centralized Production and Social Development Fund of the ministry or department (including for increasing the output of highly effective new technical equipment) and also other deductions envisioned by existing legislation.

When creating the Production and Social Development Fund at enterprises and facilities that have recently been put into operation, for purposes of improving housing and social conditions for workers employed in the assimilation of production capacities money is allotted from the centralized Production and Social Development Fund of the ministry (department).

Amortization deductions intended for complete restoration of fixed capital according to established normatives and other sources envisioned by the present point are also deposited into the Production and Social Development Fund at enterprises and facilities that are newly introduced.

The Production and Social Development Fund of the enterprises is increased throughout the year by the sum of money received to repay loans granted for improving housing conditions or setting up housekeeping.

7. Construction and installation organizations, when determining the amounts of the Production and Social Development Fund also take into account:

- deductions from savings on funds received as a result of reducing the estimated cost of production as compared to the contract price (for construction projects for which the sum of these savings is known at the time the draft of the plan is drawn up (and used for the development of the production base and covering increased production outlays of organizations involved in the introduction of progressive planning decisions;
- funds earmarked to be received from the client for reducing the time periods for starting up production capacities as compared to the established norms, for construction projects for which at the time of drawing up the draft of the plan the amount of these funds is known;
- funds transferred to the contractor by the client for compensation for additional expenditures on the development of the production base in connection with the organization of construction in newly assimilated regions and the performance of work at high rates;
- funds for the construction of temporary buildings and structures envisioned in the estimates.

## III. The Policy for the Utilization of the Production and Social Development Fund

8. The money from the Production and Social Development Fund is spent according to the estimate. The draft of the estimate for expenditure is raised for discussion of the labor collective of the enterprise and after it is approved it is confirmed by a joint decision of the administration, the council of the labor collective and the trade union committee, and it is appended to the collective agreement. The administration and the trade union committee inform the labor collective about the execution of this estimate.

9. The areas for the utilization of the Production and Social Development Fund are determined by the labor collective. It is recommended, in particular, that money from this fund be used for:

- financing expenditures for technical reequipment, reconstruction and expansion of existing production; the construction of new facilities of the production basis of construction organizations themselves;
- financing expenditures for preparation and assimilation: of new and organized products, designs, and materials; the manufacture of experimental models; the construction of new types of buildings and structures; progressive technological processes;



- conducting scientific research, experimental design, and planning work (including the acquisition of licenses), financing expenditures for the acquisition of equipment, instruments, and other commodity and material values for this work;
  - compensation for increased expenditures on the production of new products during the period of their assimilation;
  - financing the increase in circulating capital and also making up for the shortage of this;
  - financing expenditures for participation in construction, reconstruction, repair, and maintenance of local highways, in amounts established by the ukase of the presidium of the USSR Supreme Soviet of 26 November 1958 (in the edition of the ukase of the presidium of the USSR Supreme Soviet of 14 April 1980) and the legislation of the union republics adopted to develop this;
  - the organization and development of subsidiary farming. With these funds one can acquire agricultural machinery, mechanisms, livestock, poultry, seeds and so forth, and also do the necessary construction and installation work;
  - the creation and expansion of capacities for producing consumer goods and rendering services to the population;
  - paying back long-term bank credit granted to the enterprises which in keeping with existing legislation is paid back with money from the Production and Social Development Fund and also to pay interest on this credit;
  - partial reimbursement for expenditures on training young specialists;
  - the implementation of environmental protection measures;
  - the construction of temporary buildings and structures envisioned in the estimates (for construction organizations);
  - the acquisition of machines, mechanisms and equipment that are not included in the estimates for construction projects;
  - covering losses that arise from the enterprise when transferring property to other enterprises, selling it or writing it off and also to cover expenditures for fixed capital that is leased out;
  - the construction of residential buildings, children's institutions and other facilities for social purposes;
  - the acquisition and maintenance of official passenger vehicles (after 1 July 1988);
  - all-around strengthening of the material and technical base of the social and cultural sphere and maintenance of its facilities;
  - improvement measures, including the acquisition of medications for therapeutic and preventive institutions that are on the books of the enterprises, passes for rest and treatment and excursions and journeys over local routes on days off. These passes are granted primarily to leading production workers by a joint decision of the administration and the trade union committee;
  - cultural-educational and physical culture measures;
  - reducing the cost of food in dining rooms (snack bars) for workers at enterprises, mainly those working during the night shift; for improving the nutrition for workers taking treatment in preventive medical facilities and children in kindergartens, day nurseries, and Pioneer and health camps of the enterprises;
  - expenditures for building up collective gardens;
  - granting material assistance free of charge for the initial deposit of their own money for cooperative and individual housing construction and also for partially paying off credit granted for cooperative and individual housing construction;
  - granting young families interest-free loans for improving housing conditions or setting up housekeeping;
  - paying the difference between procurement and retail prices for agricultural products produced by subsidiary funds for public catering and also payment of the difference in prices for fuel and purchased thermal energy;
  - financing other production and social needs.
10. The enterprises have the right, with the agreement of the labor collective, to transfer some of those moneys from the Production and Social Development Fund to other enterprises or ispolkoms of local soviets of people's deputies for financing:
- in conjunction with work related to technical reequipment and reconstruction of production, acceleration of scientific and technical progress, improvement of product quality, the development of the production of consumer goods, and rendering of services to the population;
  - interbranch production, computer centers for collective use, scientific, planning, design, repair, construction, trade and other joint enterprises and associations that are created under the established policy;

—construction and operation of facilities of the production infrastructure, subsidiary farms, facilities for the protection of nature and other facilities for joint use;

—organization of the training of specialists and the creation (in conjunction with training institutions) of training production enterprises.

11. With its own forces and on a contractual basis the enterprise develops planning estimate documentation for work for technical reequipment, reconstruction, and expansion of existing production and also the construction of facilities for nonproduction purposes; it approves the planning estimate documentation and title lists for objects for production and nonproduction purposes whose construction is carried out with money from the production and social development fund and bank credit.

An enterprise is using its own money to perform work for technical reequipment, reconstruction and expansion of existing production and also the construction of facilities for nonproduction purposes by the internal financing method establishes its own time periods for the development and submission of planning estimates depending on the concrete conditions for the work.

12. Money from the Production and Social Development Fund is used by the enterprises for capital construction and is fully taken into account by the ministry in the draft of the plan for capital investments and is used under priority conditions for limits on contract and planning and research work within the amounts set by the enterprises (taking into account the volumes of work performed by the internal financing method).

In the plans of the ministry the volumes of capital investments, construction-installation and contracting work, and also the startup of production capacities and facilities financed by money from the production and social development fund are taken into account in keeping with the proposals of the enterprises.

13. Zoning space in buildings constructed under a policy of shared participation is granted to enterprises participating in this construction by the Gospolkoms—the unified plans for the construction of residential buildings throughout the year in which the startup of the residential buildings is envisioned.

14. When there is not enough money in the Production and Social Development Fund the enterprises can use bank credit.

15. The unutilized residuals of money from the Production and Social Development Fund cannot be removed and is used in subsequent rules under the general policy in keeping with the expenditure of it established in the estimate.

16. The cost of work of an industrial nature related to the assimilation and introduction of new technical equipment paid for from the production and social development fund of the enterprise is taken into account in the volumes of production and sales of products. Failure to fulfill state orders for the assimilation in production of new technical items financed from these funds is taken into account when evaluating the fulfillment of contractual commitments for the delivery of products.

17. The ministry (department) with the agreement of the USSR Gosplan, the USSR Ministry of Finance and the AUCCTU can determine the special features for the application of the present standard provisions that ensue from the specific nature of the branch's work.

#### Appendix No 1

#### List of Money, Expenditures and Outlays Included in the Production and Social Development Fund for Calculating the Normatives of the Formation of this Fund

1. For enterprises which form this fund for the first time when changing over to complete cost accounting and self-financing.

When calculating the funds for the development of production, science and technology one takes into account:

—capital investments subject to financing from the fund for the development of production, science and technology of enterprises (determined under the policy established in Point 2 of the present standard provisions);

—money designated in the financial plan and also budget allocations for planned expenditures before changing the enterprise over to complete cost accounting;

—the increase in internal circulating capital;

—the fund of the enterprise (no less than 20 percent of the overall fund of the enterprise is transferred into the fund for the development of production, science and technology);

—the part of the consumer goods fund that is used for expansion of production and improvement of product quality (35 percent);

—the unified fund for the development of science and technology (with the exception of money intended for bonuses) in amounts allotted by the ministry;

—other funds;

—deductions from road work in amounts established by the ukase of the presidium of the USSR Supreme Soviet of 26 November 1958 (in the edition of the ukase of the presidium of the USSR Supreme Soviet of 14 April 1980) and legislation of union republics adopted to develop it;

—operational expenditures (with the exclusion of expenditures financed from the budget);

—funds for repaying loans received for increasing internal circulating capital and also for paying interest on them;

—funds for repaying long-term bank loans obtained for capital investments (for production construction) and for the formation of the basic herd, and for payment of interest on them.

- profit left at the disposal of the business (the part of profit used in keeping with existing legislation for the development of production, science and technology);
- deductions into the fund for reimbursement of losses from markdown of goods;
- expenditures on training personnel;
- partial reimbursement for expenditures on training of specialists (for newly introduced enterprises);
- the sum by which wholesale prices exceed retail prices for consumer goods;
- other expenditures (the part of profit used in keeping with existing legislation to cover expenditures on production, science and technology).

When calculating the Social Development Fund one takes into account:

The fund for social development established in the calculations of the five-year plan according to indicators for 1988-1990 (for the various years).

Expenditures on construction of housing and other facilities for nonproduction purposes envisioned in the plan for capital construction for the 12th Five-Year Plan (except for expenditures taken into account in the calculations of the five-year plan for these purposes from the Social Development Fund).

The part of the enterprise's fund used for social needs (43 percent).

Expenditures on covering losses from housing and municipal services.

Expenditures on maintaining children's preschool institutions and other measures for education and public health.

Expenditures to pay the difference in prices for fuel and purchased thermal energy.

Expenditures to pay the difference between procurement and retail prices for agricultural products delivered by subsidiary funds for public catering.

Expenditures for maintenance of facilities for cultural, domestic, and health purposes and Pioneer camps.

The part of the consumer goods fund used for social needs (30 percent).

## **2. For Enterprises That Form This Fund Before Changing Over to Complete Cost Accounting and Self-Financing**

The Production and Social Development Fund established in the calculations of the five-year plan according to the indicators for 1988-1990 (for the various years).

Expenditures on technical reequipment, reconstruction and expansion of existing production and also on construction of housing and other facilities for nonproduction purposes envisioned in the plan for capital construction for the 12th Five-Year Plan (except expenditures taken into account in the calculations of the five-year plan for these purposes with money from this fund).

Money envisioned in the financial plan and also budget allocations for planned expenditures before the enterprises are changed over to complete cost accounting:

- the increase in internal circulating capital;
- the fund of the enterprise (no less than 60 percent of the fund of the enterprise goes into the fund for production and social development);
- expenditures to cover losses from housing and municipal services;
- expenditures on maintaining children's preschool institutions and other measures for education and public health;
- expenditures to pay for the difference in prices between fuel and purchased thermal energy;
- expenditures to pay for the difference between procurement and retail prices for agricultural products delivered by subsidiary farms for public catering;
- expenditures for maintenance of facilities for cultural-domestic, and health purposes and Pioneer camps;
- the part of the consumer goods fund used for expansion of production, improvement of product quality and social needs (65 percent);
- the unified fund for the development of science and technology (with the exception of money intended for bonuses) in amounts allotted by the ministry;
- other funds;
- deductions for roadwork in amounts established by the ukase of the presidium of the USSR Supreme Soviet of 26 November 1958 (in the edition of the ukase of the presidium of the USSR Supreme Soviet of 14 April 1980) and legislation adopted by union republics for its development;
- operational expenditures (with the exception of expenditures financed from the budget);
- money for repaying loans received to increase internal circulating capital and for interest on them;
- money for repaying long-term bank loans obtained for capital investments and the further formation of the basic herd and interest on them;
- profit left at the disposal of the business (the part of profit used in keeping with existing legislation for the development of production, science and technology, and social needs);
- deductions into the fund for reimbursement for losses from marking down goods;
- expenditures on training personnel;

—partial reimbursement for expenditures for training young specialists (for newly introduced enterprises);

—the sum by which wholesale prices exceed retail prices for consumer goods;

other expenditures (the part of profit used in keeping with existing legislation to cover expenditures for production, science and technology, and social needs).

## Appendix No 2

### Sample Calculation of Averaged Normatives of Deductions Into Production and Social Development Fund From Profit (Income) Left at the Disposal of the Enterprises

1. Enterprises that apply the form of cost accounting based on normative distribution of profit initially determine the sum of the Production and Social Development Fund. Then the enterprises, in order to average the normatives and profit left at the disposal of the enterprises determine the total amount of the material incentive fund and the Production and Social Development

Fund for 1988-1990. After this both funds are totaled for 3 years and thus they determine the sum of profit left at the disposal of the enterprises in 1988-1990.

In order to determine the average normatives of deductions from profit into economic incentive funds the total amount of each of these funds for the 3 years is divided by the sum of profit left at the disposal of the enterprises for this same period.

On the basis of the sums of the material incentive fund envisioned in the five-year plan for these years and the averaged normatives of deductions into the material incentive fund one determines the sum of profit left at the disposal of the enterprises for 1988-1990 (for the various years).

The Production and Social Development Fund is recalculated taking into account the averaged normatives and profit left at the disposal of the enterprises. Then if the calculated amounts of this fund are less than envisioned for the corresponding years in the five-year plan the distance is compensated for through bank credit.

#### Sample

	1988	1989	1990	Total
Social development fund according to five-year plan, thousands of rubles	100	110	130	340
Fund for development of production, science and technology, thousands of rubles	200	300	400	900
Total of production and social development funds equal to the sum of the fund for development of production, science and technology and the Social Development Fund,* thousands of rubles	300	410	530	1240
Material incentive funds according to five-year plan, thousands of rubles	200	210	230	640
Profit remaining at the disposal of the enterprise, according to calculations of the five-year plan, thousands of rubles	500	620	760	1880
Averaged normative for formation of material incentive fund, percentage (640 x 100:1880)	34.04	34.04	34.04	
Averaged normative for formation of Production and Social Development Fund, percentages (1240 x 100:1880)	65.96	65.96	65.96	
Profit remaining at the disposal of the enterprises calculated taking into account the averaged normative for the material incentive fund, thousands of rubles	587.6	616.8	675.6	1880
	200 x 100:34.04	210 x 100:34.04	230 x 100:34.04	
Production and Social Development Fund calculated taking into account the averaged normative, thousands of rubles	387.6	406.8	445.6	1240

\*Enterprises that formed the Production and Social Development Fund before changing over to complete cost accounting and self-financing on this line show the sum of the Production and Social Development Fund without a preliminary determination of the sums for the development of production, science and technology and the fund for social development.



The ministries (departments) can apply other methods of averaging these normatives. Then the sum of the material incentive fund and the production and social development fund should correspond to their calculated amounts adopted in the five-year plan, and the sum of these funds for each subsequent year should, as a rule, be greater than their sum in the preceding year.

2. Enterprises applying a form of cost accounting based on normative distribution of income, in order to determine the averaged normative from deductions from

profit into the production and social development fund divide the total amount of this fund for the 3 years by the sum of income for the same period.

Then this normative is adjusted so that the sum of the Production and Social Development Fund in each subsequent year is no less than 5 percent greater than the sum in the preceding year.

### Appendix No 3

#### Sample Calculation of Normatives for Formation and Amounts of Production and Social Development Fund for Enterprises Planned To Operate at a Loss

	Unit of Measurement	1988	1989	1990
<b>Calculation of Normative for Formation of Production and Social Development Fund</b>				
Subsidy for covering planned losses and forming economic incentive funds	Thousands of rubles	1000	700	600
Savings from reducing planned losses	Thousands of rubles	—	300	400
Sum of subsidies and savings from reducing planned losses	Thousands of rubles	1000	1000	1000
Calculated amount of economic incentive funds formed from profit according to the five-year plan for the corresponding years—total	Thousands of rubles	400	500	600
Including calculated amount of Production and Social Development Fund	Thousands of rubles	150	200	250
Normative for formation of Production and Social Development Fund	Percentages	15 (150/1000 x 100)	20 (200/1000 x 100)	25 (250/1000 x 100)

#### Calculation of Amount of Production and Social Development Fund (Actual)

Actual savings from reducing planned losses	Thousands of rubles	—	350	350
Subsidy for covering planned losses and forming economic incentive fund	Thousands of rubles	1000	700	600
Sum of subsidy and savings from reducing planned losses	Thousands of rubles	1000	1050	950
Amount of Production and Social Development Fund	Thousands of rubles	150 (1000/100 x 15)	210 (1050/100 x 20)	237.5 (950/100 x 25)

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### Bank Officials, Bunich Discuss New Banking Tasks, Progress

18200202a Moscow LITERATURNAYA GAZETA in Russian 25 May 88 p 11

[Article by Aleksandr Levikov: "Bankers in 'LG'"]

[Text] I will not say that the editorial offices reminded one of Wall Street, but something unusual was happening. My colleagues were joking: "You are calling bankers together? Do they not make enough money as it is?"

What has a banker been for me since childhood? The well-known phrase "If I were a Rothschild"? The potbellied Mr. Twister in a top hat with a cigar in his mouth? I recall the old wives' tales from before the war. Terrible stories! How in Odessa or Rostov "black cats" tried to "take a bank," but they were caught, these subjects, with very little, a couple of kopecks. It was precisely this change that impressed us most of all because we who were barely out of training could not even imagine what a bank was and how much money there was in it. Shevchenko, our crime detection teacher

whom the students legitimately worshipped because of his humor and talent, brought a set of instruments for picking locks into our class and, laying them on the table, said: "Are there really any tame bear owners here? Tame bear owners became extinct long ago."

But seriously? What did I, a grown man, know about the Soviet bank which, from time to time, changed rubles into kronas and marks for me when I was planning to go on a trip. I confess that I have never once written about a bank. But it would seem that nobody else has either! At least up until the present bank reform, nothing brought them to mind. Why have we avoided this subject? This is not a matter of prohibition or censors. To some people it seems that there has never been anything pointed or critical in the press at all. This is the simplest way to justify one's own fear and silence. But where will Valentin Ovechkin and Anatoliy Agranovskiy with his disclosures of "primitive mercantilism," or with the articles by Arkadiy Sakhnin and Aleksey Kapler concerning the widely publicized mafia-like affairs, and they wrote and fairly pointedly about the high-level banks and about the simulation of activity, they repeatedly took on the Gosplan and the ministries. Then there was a struggle and the journalists aimed at various targets. They nipped at the heels of Meduchov while others, it turned out, also shielded him. To speak of stagnation today does not mean to betray the memory of those who opposed stagnation publicly. Economic commentary has had its peaks. But nobody has undertaken to write about the bank.

You cannot explain accidents. People have guests: our bank is not a banker. It does not make money (although it prints it), it does not turn money into goods, it does not get it back again from the goods. The quiet office rustling with papers was not on fire with imagination. "...The role of the bank and credit in a socialist economy has been given a secondary position," states Dr of Economic Sciences L. Braginskiy in an article printed last summer. He calls the USSR Gosbank "the largest bank in the world" whose operations have "reached truly astronomical sums—3.3 trillion rubles a year...." Rothschild was a baby compared to this! But it is suspicious: why are we who have become accustomed to being openly proud of all the "largest in the world"—from dams to the ballet—so silent about this miracle? And with the planetary scale, where did this "secondary position" come from?

"The real role of the bank turned out to be extremely insignificant here—it was reduced mainly to keeping continuous accounts among the enterprises...." But what should it amount to? What ought the Soviet bank to be engaged in? The answer of the doctor of economics places the orthodox in a blind alley: the same thing that a capitalist bank does. Minus the speculative operations with securities, the mortgaging of real estate, and so forth. But all the rest.... "There is no need to fabricate anything, creating some kind of special design of a bank for 'us'." Do you want to argue? Go ahead. But keep in

mind that your opponent will be not Braginskiy but Lenin. I shall quote the words of Vladimir Ilich, and you think about what he singled out and why:

"Large banks are that 'state apparatus' which we need to conduct socialism and which we take ready-made from capitalism, and our task here is only to cut off that which capitalistically disfigures this excellent apparatus."

As soon as the bank faced commodity-monetary relations, it became interesting to everyone. There were news reports and interviews. A Soviet banker is shown in one of the photographs—a solid man making a legal gesture over a desk piled high with allocations. But many publications are similar to advertising. What is this, this timidity of the press in the face of the bank that has opened its doors for the first time, or the embarrassment of the bank, which has nothing with which to interest the press yet?

There is something to think about, and one can also give advice: the makers are already seating themselves in the hall. Fragments of shorthand transcripts will serve us as what television people call "live transmission."

#### The First Doubts

V. Zakharov (deputy chairman of the Board of the USSR Gosbank). The bank reform is in its fifth month. The Gosbank has been relieved of operational activity. We are no longer keeping accounts, we are not issuing credit, and we are not financing enterprises. Our ties with the clientele, as we say, had been lost. The Gosbank is publishing normatives for the entire banking system and coordinating its work. Specialized banks are operationally independent but they must coordinate their general instructions with us. The Gosbank still has the moral right to put money into circulation. We also shall engage in statewide accounting, take it into our hands, and we shall oversee all of the country's money management—how much of it is in accounts, in circulation, and what kind of credit there is. It is impossible to make decisions without this.

Yu. Kondratenko (first deputy chairman of the board of the USSR Bank for Housing and Municipal Services and Social Development). Vyacheslav Sergeyevich, there is something I did not understand. Why must these things be coordinated with you? If our actions do not contradict the methods and principles, why strengthen the bureaucracy?

Zakharov. And who determines whether or not you are departing from the methods?

Kondratenko. We shall determine this for ourselves.

V. Solovov (deputy chairman of the board of the USSR Bank for Labor Savings and Credit). What are you afraid of? Previously the Gosbank regulated everything right down to the smallest thing. But today it determines only the frame of reference. We must not go beyond this.

Kondratenko. Why have specialization of banks if you have already created the instructions for all cases?

S. Degtyarev (deputy chairman of the Board of the USSR Tromstroybank). You can bow before democratism as much as you want to, but what is hidden behind this cover? The Gosbank has already issued a number of instructions with which we cannot agree. The Gosbank is the main institution, that is what is written. But other banks are not branches!

Zakharov. Did I say that everything had to be coordinated? If you want to do it your way and are sure that you are not violating the basic principles of the credit policy—go ahead!

#### Having Been Burned....

Someone who has been burned dreads the fire. As soon as Gosplan and ministry workers and people from the staff of the branch and the director sit down at the table—there is immediately a squabble about rights and a delimitation of authority. One of the most painful, neglected issues of our state business.

Now a great deal is being written about the vices of the command-administrative system that was generated by Stalin, by contracting it to NEP democracy. But there is a good deal of idealization and nostalgia. Yes, the trusts had extensive rights. But the passion for circulars and army language in economic life flourished fully. There was also a powerful bureaucracy in old Russia—let us recall Shchedrin and Gogol. But after the revolution it acquired political power, which was also applied under extreme conditions when the value of human life meant so little and when the speakers asked people to be quieter because the floor had been taken by "Comrade Mauser." Along with the everlasting passion of bureaucrats of all times for writing and red tape, their scorn for the petitioners, and their respect for the leadership—in addition to all this disease of "bureaucratic bootlicking," the new bureaucracy fed also on the ignorance and the almost universally low level of literacy of the young sailors and cavalry soldiers who moved directly from the gun turret and from the saddle into the armchairs of the Narkoms and banks. The sabotage of the old bureaucrats could only help propagate the new ones more rapidly. Many of them were not mature enough to handle their power, but they reveled in it. Toward the end of V. I. Lenin's life the arrogance of the party officials had reached such a state that it became dangerous, forcing Vladimir Ilich to remind them of it constantly. If we perish, it will be more likely from bureaucratism than from imperialism.

The roots of the command-administrative system go back to this soil. Society was prepared for its adoption in the 1930's. We have not eradicated the monarchic consciousness which hungers to see above all the rest and the fear bridled by Stalinist terror completed the job. A unique kind of management system appeared and has survived down to our day. In it nobody can sneeze without permission from above and at the same time nobody actually fulfills the orders, finding a million ways of sabotaging them while giving the outward appearance of being zealous; each person who stands "above" has somebody from whom he must ask permission; the principle "you are the boss and I am a fool, I am the boss and you are a fool" has become universal; irresponsibility cannot but flourish for everybody is hiding behind everybody else and at the same time they are all speaking, writing and demanding an increase in responsibility; people complain about a lack of initiative while initiative is suppressed since it is dangerous to the bureaucracy which is working to preserve itself.

The word restructuring, with all of its power, multiplied by the exhausted patience of the population, is effective against this type of command-administrative system. We have indeed earned openness and democracy. But I wish to emphasize that we admitted this in words long ago, we did not just today begin to complain about the lifeless system, and this is not the first time we have tried to transform it. All reforms, beginning with the NEP, had as their goal independence, cost accounting, decentralization of management, and initiative. But bureaucratism ate up everyone and everything to such an extent that there were no further noble undertakings. And we have already reconciled ourselves to the fact that "nothing was to come to pass," and this reconciliation also was one of the elements in the bureaucratic awareness of the sick society.

Here we are—again!—we are forced to state that bureaucratism has managed to a certain extent to put a stop to the new law on the enterprise, having transformed the state order into an ordinary directive plan. And this at a time that is bad for bureaucratism, when the restructuring has created an uncomfortable environment for it and openness has a good job of ventilating the stagnant air. Nonetheless here and there one hears of attempts to curtail rights and freedoms which would now seem to have been given seriously. This is why any reproachment on them—real or apparent—causes protests and disputes.

As we can see, they are also involved in the bank reform.

#### The Ruble and Others

V. Khokhlov (deputy chairman of the board of the USSR Vneshekonombank). We have inherited from the former Vneshtorgbank a broad network of cooperation with foreign banks, but the range of Soviet participants has expanded a good deal. Enterprises, ministries and departments have become our plans. We have opened



accounts for those who have their own foreign currency funds formed from selling goods above. We give credit in currency, including in freely convertible currency (I will have already granted loans for hundreds of millions of rubles). But it can also be obtained in "transfer rubles"—currency for accounts in the CEMA countries.

P. Bunich (corresponding member of the USSR Academy of Sciences). Some kind of ill-defined "currency," it is stillborn. Something like Esperanto. The market has not created it.

Khokhlov. You are right, those who receive too many "transfer rubles" cannot easily get rid of them. The range of commodities has been coordinated with the socialist countries but beyond that it is difficult to acquire anything. It is more convenient for the partners to use national currencies. Certain bilateral agreements have been concluded. Krona can be converted into rubles and rubles into krona. But forests cannot be converted yet because a multilateral policy has not been developed and there are differences in country's positions.

Bunich. Are there plans to change over to stable convertible currency? Or at least predictions as to when the ruble will gain full value?

Khokhlov. This is a difficult question. It is necessary to have a comprehensive solution to general economic problems and equalize the prices to the level of world prices whereas appropriate backing for the ruble in order for it to become desirable on the foreign market. We cannot simply take and proclaim this. Alas, as the economy is, so is the firmness of the ruble....

#### On the Eve of Changes

A little retrospective.... In December journalists were invited to look into the state coffers. They were opened up for us by the chairman of the board of the USSR Gosbank, Nikolay Viktorovich Garetsky. "I would not go so far as to say that the banking system we are creating is the best variant," he declared frankly. But it is what we need now. If fact the system will be life in the future—we shall see...."

I am paraphrasing this from memory although I wrote it down in detail. The main thing is that we have taken a risk and entered upon a restructuring of banking, which has not been undertaken in the USSR since the beginning of the 1930's. I can proceed toward a new policy for credit. Previously the ministry knew how much it would receive in monetary resources. Now all the credit funds have been distributed among the banks and they themselves decide: to whom, how much, and for what?

It is not simple to decide. In our financial system there is money wherever you look. The channels of circulation are overwhelmed with money. Credit has been granted with unjustifiable ease, and the printing press has not stood idle. I have resolved to put an end to this first of

all: we have prohibited emission in order to cover the deficit of credit resources. That means that the bank must not deal with what they have. The money they have is not their own: it belongs to the investors, the enterprises—it is solid capital but it is not endless. But if we undermine the loan fund, what will we use for payment? The traditional sources for income of money are falling away with such speed that the commodities commission cannot keep up with them. Thus from vibes alone we have lost \$7 billion. And commodities—in Georgia they have discovered 200 million rubles' worth of unmarketable old clothes—by no means an exceptional case. In December when we shown the treasury, the bones were ringing in the oblasts the cash registers had been left without money. There was fear in the voices of the managers who had telephoned and their hearts were filled with pain: how could they hold back the wages of the workers? But to arrange the output of good products, to organize trade better, and to bring the sphere of services up to a human level—this was hardly the problem of those who had called. Now the cash plan (revenues and payments) would be not in the hands of the Gosbank, but the local soviets.

From the severe cold spells in December the beginning year of the reform was difficult. One-fourth of the credit resources of the Agroprombank were frozen in indebtedness of the farms. Repayment of money had been written off, postponed, and the assets had half-perished or rotted. In the industrial complex alone there were 30 billion rubles' worth of loans that were not returned on time.

The obstacles had accumulated over the years and we tried to sweep them aside over an autumn and winter. The ministries developed a program for financial improvement, but it was necessary to take emergency measures. They conducted a bank "St. George's Day" when the enterprises were given the opportunity to pay back loans with special credit granted at a low rate.

How does one influence the debtors? The head banker was about to speak about "special credit conditions" and administrative and social measures, but, noticing our boredom, he threw up his hands in despair: "I asked that question of the president of a western bank but he did not understand, he asked me to repeat it, and again he did not understand. How is it possible not to return loans?" he was surprised. "Nobody will have anything to do with that kind of business." And everything became clear....

#### Bank Notes and Bankruptcies

Degtyarev. We adhere to the partnership principle when working with enterprises. Those who seriously desire to attain leading positions are given credit for the entire cycle, from science to the prepared product. Those that have failed we help to put back on their feet and analyze the causes of their difficulties. And those who regularly fail to pay us we can declare bankrupt.

V. Perlamutrov (doctor of economic sciences). How dare you? We are not accustomed to bankruptcy, the caretakers will raise a sink..."

Degtyarev. Let them make jokes. We have looked over a multitude of plans for new enterprises and do you know how many of them correspond to the modern level? One-fourth! An enterprise is to be constructed according to plans that are 10-15 years old, which will put itself and everyone else in the hole, and I am supposed to extend credit for this kind of stagnation?

I. Morozov (deputy chairman of the board of the USSR Agroprombank). Many sovkhoses and kolkhoses have become accustomed to not repaying loans, they do not pay us interest on them, they have been repeatedly written off, and then they help to get more favors and postponement. In agriculture it is not simple to "cover" someone. We need products. But we do not intend to throw money to the wind. We are careful about granting credit and we do not have surplus credit resources, the more so since one-fourth of them are extended or defaulted loans of farms. We have to go into debt to other banks and this is normal, but nobody gives you anything for nothing. We think about borrowing from Sberbank, it looks like a magnate to us.

Solovov. Well? The deposits of the population—more than 275 billion rubles—are comparable to overall massive credit investments of all Soviet banks.

Perlamutrov. There were savings banks, now there is the Sberbank—what is the difference?

Solovov. Everything was reduced to bringing in deposits and receiving payments. Passive activity. But we are becoming real credit institutions open to all citizens. We intend to grant loans, introduce checks and certificates—we are searching for new approaches.

Perlamutrov. And how would you define the main task of the Sberbank?

Solovov. The introduction of noncash accounts into the sphere of service for the population. By the end of the century we intend to reach the level of checking accounts that has been reached in countries that have had them for a long time. Have you seen the television program about the visit of the head of the Soviet government to a Swedish bank? There at any point in the country you can pay for gasoline with a credit card. Our cash registers are overworked. Of course, for a noncash account it is necessary to have electronic equipment and we have developed a program for technical reequipment of all Sberbank institutions, which requires large expenditures. We have to earn the money....

Guests of the editorial staff have said: "We have in the bank." Now the same thing can be said by millions of their compatriots.

At my savings bank (excuse me, Sberbank) people waiting in line will look over colorful leaflets advertising the innovations.

"Earnings—on any day." Does this mean that this has become the custom? As early as the end of the 1970's they wrote that the collective at one Minsk plant had decided to obtain their earnings in the savings bank. The enthusiasts said there would be no need to wait in line, you could get your earnings near your home, in small quantities, and among other things they advanced this conclusion: they would not have to buy drinks for the whole brigade. Ten years later the advertising leaflets calls this a "new form of accounts with workers" which will help you to "save up money for..."—a smooth transition to "convenient, advantageous, reliable." And here is the essence: "You are becoming a depositor."

Previously we were attracted by posters with beautiful women lying under a palm tree on the golden sand, smiling brightly from the open door of a limousine, or resting in an armchair in a comfortable hotel. This we called the healthy initiative of the trade union. One time the trade union worked with its tongue—pasting on stamps. Now deposits are made by the bookkeeping office. But does one not lose the opportunity to make a choice about one's wages?

"Checks instead of money." Oh, what a thing! In our friendly line interest is growing. Twelve checks and one can buy any industrial goods, domestic services or transportation. This kind of book is good for 2 years but it can be extended for two more and be freely exchanged for money. Protection of your savings is guaranteed.

So, if only someone had guaranteed us the opportunity to spend it! We experience our freedom at the wheel of a blue Volga or the blueness of a "lapping wave" aboard a flight steamship that is going across the ocean. They say it is so nice on the Hawaiian islands: ! Or, on the other hand, pounding nails into the fence around the garden home.... "We have to run around Moscow for a month looking for shoes," holds coldness as an experienced blonde hovers over us, "yesterday they ran out of them right before my eyes."

Statistics inform us: deposits during the first quarter of this year increased by another 8.1 billion rubles, during the same calendar period trade failed to receive more than a billion rubles' worth of goods in addition to last year's shortage of 12.6 billion rubles. "The sum of deposits in the savings bank has reached astronomical amounts—the average amount of a deposit is...." Why do we worship the astronomical and the average! It was the term of a woman with a first-class card and I heard her disturbed question: "Can you leave just one ruble?" A Caucasian next to her was wondering: "What do you mean, a ruble? You cannot make a deposit without money." Welcoming the initiative of the Sberbank, the press is all aflutter about checks, certificates, and loans.

But gradually the questions also appear. Having purchased certificates for 1,000 rubles, within 10 years you receive 1,480. But how much will this money be devalued because of inflation during this time? And if, God forbid, you get run over by a car? "Do not worry, your children will get it," the control girl calms the people standing in line. But she has no opinion about inflation. And I am afraid that the bank leadership is also refraining from a prediction. All this fades, however, before the impressive offer of the savings bank to let you borrow money. The people waiting in line penetrate the essence of the discussion. Can one borrow up to \$2,000 for 3 years? Yes, but if you live in the "zone of the experiment" and pay the interest ahead of time, and put on your book a guarantee of \$500 r.... "Nonsense!" yells the Caucasian. "Just get 2,000! You have sold nothing!" The people in line laugh and argue noisily. What is the loan granted for? For this: for purchasing goods that are now filled on credit.

"I shall not comment," the correspondent from MOSKOVSKIYE NOVOSTI, L. Miloslavskiy, promises stochastically, but he immediately comments: "The problem is apparently that the interests of the population, who up to this point have been going around to the stores and aggravating the shortage by means of personal savings, do not have anything to do with the task of the Sberbank." The latter loses in only one case, the generalist adds wittily: "If I do not play." Incidentally, the bank has its own reasons. It is accessible to everyone: "a new thing." Less debatable, and requiring a certain amount of preparation from the opponent: "This industry does not satisfy the consumer demand, we cannot give credit for no purpose." It is suitable for a thesis for a discussion.

Bunich. Why not allow the depositor to participate as a shareholder in the economic activity? He invests part of his savings in the production of goods or services that are in short supply and receives preference in making purchases and priority in service. Why is this less suitable for socialism than housing and dacha cooperatives?

Solovov. It seems to me that we were being held up by the financial sources and the shortage of material resources. Of course we must look for new forms of locational savings. In fact, what is keeping us from constructing an automotive plant with deposits from potential car buyers? Their bank is ready to support such initiatives.

Kondratenko. For the Zhilsotsbank the utilization of funds of the population for production purposes is a normal practice. For our clients are not only state organizations of the nonproduction sphere, but also various cooperatives. We have created preferential conditions for credit for them and opened up tens of thousands of accounts for them. Cooperative members have taken out short-term loans from us for about 40 million rubles, and long-term loans—21 million. A person who engaged in individual labor activity is given

2,000 rubles for raw materials, processed materials and equipment, and up to 3,000 for other property needs. But there is still the danger that we will become victims of unconscientiousness. The press sometimes urges us on: that bank is not giving credit. But what are you supposed to do if they ask for 100,000 or even a million without sufficient justification?

Khokhlov. Banking is a risky profession. The creditor always takes responsibility for something. Or else he cannot play the game, as they say. This pertains to us, the Vneshekonombank as well, although we have a different scale and different partner. You weigh the chances and overcome your doubts. Our bank is ready to become a shareholder if the business is advantageous.

Degtyarev. Are you ready? But the USSR Promstroybank has already invested its money in a plant for construction cranes that is being constructed in Rzhnev. This does not concern credit—we provided half of the cost from our own bank funds, even a little more, so we have the "control pocket" in our hands. We are counting on receiving an income.

Morozov. And Agroprombank wants us to try this. We were thinking about the possibility of investing our money in reconstruction of enterprises in Moscow, Ryazan, and Kalinin oblasts and Belorussia.

### They Argue About This

Shall we restructure quickly or slowly?

We have begun to live in a completely different spiritual atmosphere, to breathe more freely, to read in magazines things about which we had to whisper not so long ago, to express our opinions openly, and to admit the truth about our history. And yet this does not convince those who see no appreciable changes in the economy are inclined to judge only in terms of the stores. If there are products and commodities and there are no waiting lines we have restructured, but when everything is the opposite—waiting lines without commodities—what can we say?

Understandably, it is impossible to restructure a neglected economy to the stage of full stores in a couple of years. But there is no reason for pessimism if the restructuring develops.

Two years ago a colleague of mine who works in radio told me about a sensational event: cooperatives were permitted to process secondary raw material under the Gosstab. And we at LG immediately ordered the radio journalists' report and printed it in an issue. Now it is fun to read—against the background of today's change in cooperatives. You hear not only about cafes, but about cooperative stores, and these flying Dutchmen have entered into medicine and pedagogy. Cooperatives have



appeared (in the construction industry) to replace failed enterprises. This fact especially interested American managers who recently visited the editorial offices.

Is it not interesting that newly created Soviet banks are already investing their money in industrial enterprises? This will not produce anything immediately "for the store" but one can see in this a sign of deep changes in the economic relations of socialism. The argument of the bank concerning the...sphere of service and clients which arose during the course of the discussion also struck me as unusual. The beginning of competition? The prologue to increasing socialist competition?

Khokhlov. More than 40 joint enterprises have been created under agreements with foreign firms. This is an important aspect of the activity of the Vneshekonombank.

Degtyarev. Does the Vneshekonombank not want to be a monopolist? There is something in your words that alarms me, Vitaliy Sergeyevich.

Khokhlov. I have nothing against interaction with specialized banks, but we are speaking about foreign currency....

Degtyarev. We can discuss currency matters with you, but joint enterprises should undoubtedly be provided credit by us because they are our clients!

Khokhlov. But do we not know the foreign market better?

Degtyarev. But joint enterprises are not created in a vacuum, they must be organically linked to the branch and to its consumers and suppliers. And we know better how to provide the most advantageous investment of money in a new part of our complex. But let us take Soviet exporters. Do you want to be the only ones to give them credit? And on what basis? Here the Plant imeni Likhachev has created a foreign trade firm. And what does this mean? The production activity of ZIL and investments—these are the sphere of the Promstroybank and should its foreign trade firm receive credit from you? This contradicts the law concerning the enterprise. There it states that all issues related to credit are resolved at the place where the running account and credit account are located. One client—one bank.

Khokhlov. That is what is said about production activity.

Degtyarev. But how can it be separated from product sales? The right to shift one's products abroad, bypassing the Ministry of Foreign Trade, has been given to 75 enterprises. Will we not, along with the Ministry of Foreign Trade, now be burdening the 75 foreign trade organizations?

Khokhlov. Do you want them to do without the Vneshekonombank?

Degtyarev. That is not the way we pose the question now. But credit and accounting conditions must be revised taking into account that the exporter enterprises should be our client. Do you know what I am telling you? Each day we are contacted by representatives of capitalist banks who want to know whether the USSR Promstroybank will participate in the creation of joint enterprises and the development of exports from the USSR. They understand our reform as a part of the process of democratization of currency and financial relations.

Khokhlov. But why have you decided that the Vneshekonombank has monopolized all foreign economic credit and accounting operations? In 200 cities they are carried out by specialized banks. We do not have a network in our country that can claim to provide monopolistic service. This is a different question. What does it mean to give all banks access to the foreign market? There will be pressure on the branches and managers, currency credit will be stretched, and promises will be given for exports.... A dangerous thing! It is necessary to keep the foreign currency supplies in a single place.

Degtyarev. A familiar argument. But is a monopoly of one bank, as was the case before the reform, really better? Did this really help to utilize foreign currency resources better? It was just the other way around.

#### Physical Goods and Money

Bunich. Cost accounting is now formal although for some reason it is called "complete." There are no tax relations with the state. If there is no tax this means that there is neither cost accounting nor a market. And with the current cost accounting incomes should fluctuate strongly, which depends on market conditions, the stages of reconstruction, and so forth. The influx of money into the bank would be accompanied by an appreciable outflow. It will be necessary to have bank credit in amounts which the banks are not used to dealing in. Can the bank foresee a principal change in its role in the national economy? For really deep cost accounting will be formed according to the residual principle from the enterprise's income. And what remains? For some the wage fund will be more while for others it will be less, and for still others it will be nothing at all. Even though they have not earned it, they count on having a good income within a year or two. And for the time being it is necessary to take out loans. But where? The bank does not give credit for these purposes.

Zakharov. What do I say? We have no positive experience regarding this issue but we have negative experience. The kolkhozes could not force themselves and we gave them credit that guaranteed the wages. And they did not return this money. No, no matter what, the collectives should live on what they earn.

Bunich. I wish to go with you across the boundary of the ordinary and look and see what the bank expects in the sphere of real commodity and monetary relations. You say that you are satisfied with your own bank cost accounting?

Zakharov. No, we have not developed a system of cost accounting.

Bunich. The enterprises keep their money with you and you pay them a half a percent. This is nothing! It turns out that the enterprises are granting the bank credit for your charge. And if they had any other choice they would not keep their money with you for a half a percent and you would simply close down. But on the other hand, when you give them credit how much do they pay you? On an average of 3 percent annually, and from many of them you take another percent or half a percent. And the world credit rate is about 8 percent. Where is our economic policy? It is a game of trifles, of giving out money. I wish to plant in you a seed of doubt that there should be a single interest rate for the entire country. Or perhaps you should change over to contractual relations. I make an agreement with the bank on how much credit I can get and under what conditions. Then there would be competition among banks and there would be the possibility of choosing. Just take world practice, which is not utterly stupid, and there I can keep my money wherever I want to.

Perlamutrov. How do you compare? In small Finland, as far as I know, there are many banks. Most of the signs on the streets are "drugstore" and "bank." The most varied kinds of banks. The railroad, for example, has created its own bank. And there is a postal bank. There is also the central bank of Finland. Cost accounting presupposes that the bank has its own state fund.

Zakharov. The Gosbank has one, of 1.5 billion rubles.

Perlamutrov. This is only a small percentage of the funds that you give out. Not enough! If you do not have your own funds you do not have responsibility. The bank trades in money and this means that it should have its own capital and not only money that is brought. In general I can tell you that there are no bankers in the world who are of as little significance as ours. The staff of our banks receives less money than financial experts and economists in industry. How do you attract and keep qualified people? In the West, bankers, excuse me, can open any doors. But ours are somewhere under the Gosplan and under the Ministry of Finance.... But only one office generates money in the national economy—the bank. This is the only channel through which it comes into circulation and goes out of circulation. Should the bank really be at this level of public prestige? I heard this and I could not get rid of my sad thoughts. No matter what you do, respected bankers, it turns out that the banking system really cannot effectively influence the operation of the economy. Even with all of your efforts. Why? The Gosplan has not been forced to count

its money. And the bank has not been placed in the position of being master of the money. Our bank passively checks on the physical proportions which the Gosplan sets. The plans are unbalanced. They are coordinated in terms of tons and gears, but this is already a low level of balance. And the most important areas have already become uncoordinated: the physical items and the money. And I have even pictured this image. Now the Gosplan occupies two buildings joined at the third story. And if the planners were in one building and the financial experts and bankers in another, and they were to meet, argue and butt heads on the third story, who knows, perhaps the unprecedented would happen: the physical unit and money would find one another.

We agree that the regenerated banking system is not ideal. But you cannot think of the ideal in an office. The restructuring has begun and we have to make repairs on the move. This is better than running in place. And today's meeting with bankers in LG cleared up something. There are still discussions ahead. The time will come when the most competent critics have their say: the bank clients. One can imagine how many questions they will ask!

One of them—perhaps the most significant?—was formulated by Anna Terentyevna, the commandant of the LITERATURNAYA GAZETA dacha village in Shermetyevo. During the war she was a Stakhanovite at the plant, she made parts for "Katyusha's," and essays were devoted to her. But now she looks after a troublesome timber farm. We met in front of the lodge, gossiped a little, and I complained: It is difficult to write an article about banks. "What is so complicated?" said Anna Terentyevna. "There is only one question: How can one live in grand style with a small amount of capital?"

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#### Implications of Leader Elections Debated

##### Appropriate Situations Described

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[Article by V. I. Gerchikov, candidate of economic sciences, senior scientific associate of the Institute of Economics and Organization of Industrial Production of the Siberian Branch of the USSR Academy of Sciences (Novosibirsk), and B. G. Proshkin, candidate of economic sciences, head of the sociology laboratory of Kemerovo State University: "Election of Leaders: First Experience, First Problems"]

[Text] It is not necessary to be a very observant person to note that the election fever in the country has cooled down somewhat recently. The time has passed for the first sensational elections of managers at various levels and for the first explanations about the breadth of the

democratic possibilities that have been opened up. The number of newspaper articles on this subject has decreased. The tone of the statements has become more sober. In a number of publications there have been little notes of pessimism. Such a change in mood is a result of the fact that everyone who especially wanted it has had a taste of this "dish." It is time to think about the experience that has been accumulated.

### Elections of the Manager...But Why?

In public polemics concerning elections of managers there has been a clear designation of the basic debatable aspects and centers of contradictions on whose resolution depends the answer to the question that was decided in the affirmative in the Law on the State Enterprise (Association) but has not yet found unanimous acceptance among the people: are elections of economic managers necessary at all? Do they bring more harm or good? To what will they finally lead—an increase or a reduction of the effectiveness of production, an increase or a decline of activity, labor morality, discipline of the rank-and-file workers, and so forth?

As we know, the task of "introducing elections of managers of enterprises, productions, shops, departments, sections, farms and teams, and brigade leaders and foremen" and the task of expanding the "practice...of the competitive system of selecting and placing managers and specialists" were set by the January (1987) Plenum of the CPSU Central Committee. At the plenum the development of democracy was named as the most important goal for the introduction of elections of managers.

Probably the most difficult social consequence of the period of stagnation in our country is the alienation of the masses of workers from the management of production and the life of the society, and the division of the society as a whole, territorial communities, and labor collectives into leaders and subordinates, rank-and-file and bosses, which was formed and became strongly ingrained in the awareness of all social groups. The direct result of this is the alienation not only of the bureaucratized apparatus, but also many workers from the concrete actions for restructuring in their work place, shop, enterprise, microrayon and so forth. Overcoming this split and transforming the worker into a real master of socialist property is the goal both of the restructuring of the economic mechanism that has taken place now and the deepening democratization of management.

As early as the first years of the Soviet regime, V. I. Lenin saw the guarantee of successful construction of socialism and development of the country in having each "conscientious worker feel that he is not only a master in his plant, but a representative of the country, and that he feels responsibility for this." This was said at the 2nd All-Russian Congress of Commissars of Labor<sup>1</sup> in 1918 when each "conscientious worker" actually was the master at his enterprise, when not a single problem that

was important for production or the life of people (the workers of the enterprise and their families) was resolved without him. Actually, the same idea but with an emphasis on the need to develop direct production democracy (in keeping with the principal change in the situation in the sphere of management in the modern period) is contained in the report of M. S. Gorbachev at the 27th CPSU Congress: "It is impossible to be the master of the country without being a real master at one's own plant or kolkhos, shop or farm."<sup>2</sup>

The principles for carrying out production democracy and the functions of self-management at the enterprise were formulated in Article 6 of the USSR Law on the State Enterprise (Association) quite definitely: 1) complete and broad openness, information of each conscientious worker of everything that is taking place or is planned at the enterprise (a master should first of all have complete and precise knowledge of the situation and all necessary details); 2) the participation of the labor collective and its public organizations in the development of the most important decisions and monitoring of their implementation (the master should himself make decisions that essentially influence his work and life and not only through elective agencies but directly); 3) the election of all line (first) supervisors—from the brigade leader and foreman to director—while maintaining the principle of one-man management in concrete administration (the master himself can hire managers for his business).

The practice of electing managers is a means of democratizing management is gradually encompassing all spheres of the life and activity of our society. In 1987, for the first time in our country, it was introduced into the sphere of state and economic management. Its effect is expanding in other spheres, for example, in the system of higher and secondary specialized education (elections of rectors) and in management of sports (an example—elections of the head trainer of the country's combined team for heading the athletics) and even in the police (elections of the department chief).

In those same spheres where elections of managers are traditional, they are receiving further democratic development, the principles of organization are changing (several candidates are introduced for one elected position, the procedures for advancement are changing), and the composition of voters is expanding. Experience is developing and electing secretaries of city and rayon party committees and rayon and oblast committees of the AUCCTU (from several candidates) and an experiment is being conducted in elections to soviets of people's deputies for multiple mandate districts. When nominating candidates they are beginning to use sociological methods of gathering information and studying public opinion. When electing rectors and deans of VUZes the votes of the students are taken into account and their representatives are included in the councils of the educational institutions.



The democratic attack on the bureaucratized, ossified system of management is not always proceeding evenly and successfully, but it is sufficiently broad. In some places the practice of election has advanced in its development, and some places it has encountered refined devices of profanations and in other spheres it has a longer history and instructive foreign experience. All this requires careful study. We need a special generalizing analysis of the practice of electing managers as a democratic social institution. Even today we will touch base mainly on problems of electing economic leaders and only rarely turn to the experience and individual phenomena of the election practice in other spheres of social life.

The main function of the practice of electing managers as defined by the Law on the State Enterprise is to improve the qualitative composition of management personnel and to increase the responsibility for the results of the activity of the collectives. One can also note a minimum of two functions. First, when electing their manager, the collective puts him in a position not of an administrative boss but of a leader invested with voluntary (and therefore more complete) confidence. This, in turn, gives the manager the right to impose high demands on his subordinates (within the limits mutually agreed upon in the election). There is greater consolidation of the collective and the manager. As was correctly noted in PRAVDA by S. Golobokov, "the practice of election for a limited period of time is a means of maintaining the balance between the manager and his subordinates."<sup>3</sup> The task is, having made the collective the main subject of management, to turn the manager in the direction of the human factor, his subordinates, and the social needs which they reflect.

In the second place, the manager who is authorized by the collective and acts on its behalf is better protected from voluntaristic actions of branch or local leadership. He has real support from below to resist pressure from above. Thus in the second half of 1987, although the Law on the State Enterprise had not yet gone into effect, certain enterprises where councils of labor collectives were already active achieved more just and economically substantiated relations with agricultural enterprises for which they were patrons and more substantiated and balanced plans for production for 1988, relying on well-developed decisions that were approved by the councils.

#### Are Elections Always Better Than Appointments?

The most debatable issue that accompanies the practice of electing managers is the competence and conscientiousness of the subordinates. Among managers, especially among the more powerful, authoritative and conservative ones, there is the opinion that the subordinates are not capable of objectively evaluating their leader both because of their fundamental incompetence and because of the lack of conscientiousness that is inherent

in them and their orientation toward personal interests. From this standpoint elections mean nothing and can produce nothing except harm.

According to the opposite position, subordinates are sufficiently qualified to evaluate any quality of a manager. There is a point of view that is becoming more and widespread and, in our opinion, it is more correct. According to it the immediate subordinates are quite capable of precisely evaluating purely human (sociopsychological) and moral-political qualities of a manager and also the level of his professional competence in the sphere of the basic activity of the collective. But a number of his qualities as a professional manager usually escape the attention of the subordinates: the manager's vision of the future of the collective, the progressiveness of his managerial concept, his understanding of the overall tasks of the organization, the systematic nature and scope of his thinking, his management potential, and so forth. Therefore many people think that higher-level managers should participate in the evaluation of a manager.

On the other hand, the competence of the evaluations depends on the "social distance" between the people doing the evaluating and those being evaluated in the management hierarchy, which determines the frequency of their direct contacts. The competence and objectiveness of the evaluation is the higher the more frequently and the longer the periods of time they interact with one another. This determines the varying degrees of substantiation of the evaluations, for example, of a director by workers, foremen, shop chiefs, or head specialists of the plant.

As concerns the conscientiousness of workers in their evaluation of their leaders, here the truth lies somewhere between the two aforementioned extremes. Very frequently, in connection with the idea of elections people express the prediction that demanding, strong managers will end up without work and all the positions will be filled by weak people without character who will begin to play with the collectives. It would seem that, although this possibility cannot be ruled out in a number of cases,<sup>4</sup> it should not be exaggerated. The experience of Bulgaria, where in 1986 they reelected managers of all self-managing economic organizations, shows that most of the failures in the elections were sustained by the so-called "too strong," "willful" managers and also those who were known to be weak and could not take responsibility for solving complicated production and social problems (that is—according to a widely known classification—both autocrats and liberals).<sup>5</sup> In this country also there were many cases of formal elections of people who were simply familiar or more "convenient" for the collective and for the local authorities.

As historical experience shows, the practice of electing managers as a means of democratizing the style of management under the conditions of a socialist society has no equal alternatives. It is another matter that

certain sociopolitical conditions should correspond to this means, above all the measure of development and responsibility of the collective. The practice of electing managers is the more legitimate and expedient the more developed the economic relations and the more complete and substantiated the economic responsibility of the collective for the results of its activity. When the well-being of each depends directly and mainly on the effectiveness of management, when this well-being is impossible without various machinations, false reports, and adjustments, then workers of the enterprise take an extremely serious attitude toward the selection of a manager and the ones who are recruited for management are not manipulators or convenient, undemanding people, but those who can provide for smooth and responsible work of all.

It is natural that in the current stage of restructuring of the economic mechanism, when for the majority of enterprises the degree of internal economic responsibility for the work is extremely relative, the introduction of the practice of electing managers is becoming more a school of democracy, an important instrument for preparing collectives for work under the economic conditions that are being formed, than a real management necessity.

The instruments for electing economic managers is not socially safe. This should be frankly admitted. Under certain conditions it should be temporarily abandoned, since it is known to cause more harm than good. Above all, these conditions include the stage of establishment of the labor collective and the formation of new enterprises. Until the people know each other fairly well, the election of a manager does not make much sense. Under these conditions the right to manage the new collective should probably be "sent down" to the manager by the higher agency. Here it would be useful to utilize the procedure for democratic nomination and discussion of the candidacy of the manager at the previous place of work.

Elections can also be dangerous in collectives that are torn apart by intergroup conflicts. In this case they can exacerbate the division of the collective into opposing groups and become a means of fighting among them, a mechanism by which certain groups can suppress others. Here it is clearly more rational to have appointments from above. The manager should be a person who is not drawn into the conflict and capable of resolving it on a compromise basis.

Apparently, the right to appoint a manager should remain with the higher administrative agency also when the collective cannot make a choice among several of its candidates, in spite of voting two or three times (revoting). In this case it is more expedient to appoint a manager temporarily, for a certain period (from among the basic candidates) and subsequently hold reelections, striving for maximum unanimity of members of the collective.

It should be noted that the advantage from the collective is less, the less the stability of personnel in the collective and the less they understand and accept the need for elections. In the latter case it is necessary to do a large amount of preliminary explanatory and agitation work in the collective. Elections must not be conducted in the collective as long as its members are skeptical and mistrusting of it. This is one of the most important methodological requirements for organizing the elections of managers.

#### How To "Live Up" the Elections

In our opinion the basic principles for election of managers are mandatory secret voting, the existence of several candidates for the position, the need for the candidates to develop their own election programs, and openness and democracy for the nomination of candidates.

Secret voting guarantees more the democratic nature of elections than the disclosure of the actual personal opinions of the workers. With open voting the results are influenced by the atmosphere at the time of the elections and the behavior and personal opinions of the higher managers who are present, and the participants are too much oriented toward the reaction of those around them and automatically adjust their behavior to correspond to the possible consequences. Here there is a great probability of administrative or political pressure and considerable influence of even such random factors as the sequence in which the candidates are brought up for voting.

Therefore under the conditions of the developing restructuring, the confrontation between the new and the old, and the opposition to the autocratic style of management that prevailed for decades with its suppression of opinions and initiatives of the rank-and-file workers, the principle of secret voting when electing managers should be recognized as almost absolute. That is, if in the collective there is even one worker who is in favor of the procedure of secret voting, open voting should not be applied. Open voting because of its great procedural simplicity creates the temptation to simplify the elections and accelerate them. But this course frequently becomes the basis for profanation of the very essence of the elections and a means of pressuring the participants in the voting and the promoting of a candidate by a strong minority.

The existence of several candidates with the role of manager is another most important condition for the effectiveness of elections as a democratic social institution. In those cases where only one candidate is nominated, the electorate can have only one constructive position—to vote for him, since if his candidacy is rejected the question of the manager remains open. For many voters this situation is sufficient justification for a positive resolution of the issue and it actually strengthens the position of the single candidate and is essentially

a methods of conducting the "policy" of the organizers of the elections. It is appropriate to recall that the main method of profanation of the idea of elections in domestic history (whether it be elections to party, trade union or Komsomol leadership agencies, to soviets, or the election of chairmen of kolkhozes) has been imposing on the voters a single candidate for the elective position and the actual predetermination of the results of the voting that ensues from this. We have indeed paid dearly for this!

Of course one cannot completely rule out a situation in which the relevant manager can actually be aspired to by only one person. This is possible if there are no other candidates because of the low level of prestige of the vacant position or when one candidate clearly surpasses the others in terms of his work qualities, and this is obvious to everyone. It seems that in this case it is not mandatory to look for a second candidate, which would mean obviously dooming whom to defeat and thereby profaning the idea of elections. And it is probably not necessary to hold elections in this case. A different social technology is needed: collective selection, installation of the manager in the position, combined, for example, with the hearing and discussing of his program and the relation of critical remarks and wishes to him. This procedure corresponds fully to the "spirit and letter" of the law on the state enterprise and when there is only one real candidate it corresponds much more to these requirements than the not so rare practice of nominating a second candidate no matter who he is to the management position.

This circumstance leads to the idea that in the social sphere it is hardly possible to find formal principles whose introduction would always guarantee democratic relations. As we have already been convinced, the practice of electing managers is not always possible and not always necessary, and it does not always provide for effective and democratic management. Apparently a guarantee of democracy can be provided only by a constant, deliberate struggle among living social forces and political maturity of the people participating in it.

Domestic practice in holding elections for economic managers convinces us that it is very important, if not decisive, for the effectiveness of elections to have a preparatory period and, above all, the selection and nomination of candidates and their development of their own election platform. The main shortcoming when nominating candidates up to this point has been the secrecy and the "closed nature" of the formation of the list of candidates. The managers of many enterprises, as before (consciously or out of habit) are oriented only toward candidates suggested by themselves and adhere to a policy of "regulated, controlled democracy," as if real democracy and not a game of democracy might be too much.

Democracy when nominating candidates, apparently, consists in, in the first place, granting any member of the collective the right to nominate a candidate at any stage

and preparing for and conducting elections (right down to writing in the name of the suggested individual at the time of voting) and also the right to self-nomination of the candidate; second, to adhere to the rule of priority nomination of candidates from members of the given collective; third, to conduct the necessary agitation, explanatory and organizational work so as to enlist a large part of the population in the process of nominating the manager.

Priority nomination of candidates from among the collective is meant to reveal their personnel potential. For a collective that on the whole is a good one, this is probably the main path for promotion of managers. And only when it is necessary to have a complete or a reorientation of the entire collective, a breakdown of all management stereotypes, and the destruction of routine can be given to candidates from the outside.

Observations show that in the eyes of the rank-and-file workers "Varangians" "outside" candidates are preferable in places where their own managers have not only demonstrated that they are unable to manage, but also are in confrontation with the basic mass of workers. In such collectives the team of engineering and technical personnel accuses the workers of self-seeking attitudes, unpatriotic behavior, and an unwillingness to enter into the state of affairs at the enterprise. And the workers are bitter about the fact that the "white collars" themselves do not need anything, that they are not doing anything to improve the conditions and organization of labor, not even the things they could do, and they refer to objective circumstances" and engage in word games and showiness or else they simply "waste time." This atmosphere has developed at many enterprises during the period of restructuring.

But in good collectives and even in those that have not actually been touched by the restructuring yet and in which they think that the sources of all possible problems of the enterprise lie beyond its gates, the "Varangian" candidates, conversely, have to overcome the alienation of those around them and lack of confidence in them, and to win a serious competition with local candidates.

The problem of nominating candidates for the role of manager is facilitated to a considerable degree in places where they have promptly formed reserves for filling existing positions in the structure of management and real work is done with the reserve. They are trained, they replace managers during illness or regular vacation, and temporary duty and work as substitutes are organized for them. The very procedure of promotion to the reserve and the evaluation of the work of the "reservists" should also be carried out with maximum openness. Sociological questionnaires are useful here. Frequently the reserve is regarded from a narrow functional point of view: the reserve for the position of shop chief should include his deputies, and they should be replaced by the chiefs of sections and technical bureaus of the shops. But there is some point in preparing a reserve of a broader range of



workers too and proposing their candidacy for election of managers not only in their own truck, but also in other shops and other departments of plant administration. The collective could become familiar with "outside" candidates if they were to work temporarily in the shop (department) in the role of apprentice.

Agitation and organizational work are no less important in the stage of nominating candidates. Frequently we still limit ourselves to announcements in the hallway and in the plant newspaper.

Only in certain places do they conduct questionnaires of the workers to discover appropriate candidates but disenchantment frequently awaits the election organizers on this path too: people display a surprising passivity.<sup>6</sup> Even meetings of lower-level collectives for nominating candidates can be ineffective. It turns out that not only the various forms of activating the people in and of themselves are capable of "breathing life" into the elections and changing the atmosphere in the collective. It is necessary to have a large systemwide measure. For example, transforming the elections of the manager into a process of drying up and selecting and program for the development of the collective.

This question is now being widely discussed: what should be elected—the manager or the program for the development of the collective? In the former case there is an election according to the personal qualities of the candidates. At the same time science proved long ago that for various sociopsychological and production situations it is necessary to have various qualities of managers, including varying degrees of democracy and authoritarianism. If the fundamental program for the development of the collective is unclear it is difficult to understand what type of manager is needed. More and more frequently the requirement is being imposed that the candidates submit their programs. The election of candidates with programs is undoubtedly better than without them. But even then there is no guarantee that the majority of the members of the collective will take an active attitude toward the elections.

The best variant for including people in the democratic procedure of elections is for all interested members of the collective and the candidate to jointly draw up a program for development. In the process of this work each candidate reveals himself to a maximum degree not only as a specialist but as an organizer and demonstrates how capable he is of cooperating, how much initiative he has, and how his initiative can inspire others. As a rule, the range of initiators broadens this way. Some of the members of the collective who were previously on the sidelines can reveal themselves precisely in the process of drawing up the plans for the development of the collective and in a natural way they begin to compete with the official candidates.

The experience in conducting all-union competitions for managers at the RAF and Artek showed<sup>7</sup> the usefulness of applying during the preparatory stage special game procedures that make it possible to liberate the main masses of workers and in an easy (gain) situation, draw them into the development of the program.

There is no doubt that there are a few collectives that can invite such important scientific and journalistic figures to conduct the elections and draw the attention of the public and higher agencies to them, which in and of itself creates an atmosphere of responsibility and research. But it is simply necessary for any collective to motivate all workers to discuss their own problems and plan their own future. Under the new economic conditions this is a question of life and death for the collective, for without the support of its numbers the leadership can hardly provide for effective production. The candidate that can do this is the one who is worthy of becoming the boss (or remaining so).

In our opinion, one must only warn managers of personnel services of enterprises against excessive hope that it is possible to improve the personnel support of their enterprise by enlisting management personnel from outside through city (oblast) competitions. The experience in declaring competitions for management positions in Kemerovo Oblast shows that in order to attract worthwhile personnel the enterprises who invest in them must be sufficiently prestigious and the positions have to be attractive. Otherwise nobody will respond to the announcement in the newspaper.

### Let Us Refine the Procedure

The signs that indicate the need to replace the manager are usually a deterioration of the results of the activity of the subdivision headed by him, prolonged illness of the manager, or a prolonged petition from the collective. The restructuring of the work with management personnel has also produced several new indications. Thus Bulgaria conducted a one-time public certification of managers' qualification for their position. From 1 to 3 percent of them did not gather the necessary two-thirds of the votes of their subordinates and were replaced.

The system of regular public certification of managers of departments, laboratories, and various services, and directors at general meetings of the collective is applied in the Kiev Institute of Heart Surgery. Its director, Academician N. M. Amosov, when a questionnaire was conducted received about 5 percent negative votes and, as he himself says, "was sincerely happy." He tells his young assistants that he is ready to voluntarily leave his post if 20 percent of the votes are negative—"This means that the collective has gotten bored and I have lost my authority."<sup>8</sup>

A principal issue in the arrangement of all the work for election of managers is the subordination of temporary election commission created at the enterprises for this

purpose (or competition commissions) to the council of the labor collective of the corresponding level. According to the Law on the State Enterprise (Association) the Council of the Labor Collective during the period between meetings (conferences) exercises the authority of the collectives including organizing elections of managers. It is interesting that in Hungary directors are selected only from members of the enterprise council.<sup>10</sup> This system is attractive because it is compact and is not without justification. For the collective has already entrusted its destiny to the council. Why not entrust to the council the elections of the high-level manager?

The question of who should participate in the procedure of the elections themselves, that is, in the secret voting on the nominated candidates, causes lively debates. It involves the problem of the competence of the election workers which we considered above. Nobody has any doubt about the justification for participation of our members of the brigade in the elections of the brigade leaders; when electing foremen, senior foremen and the section chief—all workers in the section should participate. The same thing pertains to the election of a chief of a small shop (where there are 100-200 people). All shop workers should participate in this (engineering and technical personnel, workers, junior service personnel). But in large shops and at entire enterprises, according to the very widespread opinion, there is no justification for the participation of rank-and-file workers in the election, since the latter cannot directly evaluate the style of work or the effectiveness of the activity of the manager simply because the majority of them do not have direct contact with him.

According to this viewpoint the manager should be elected by competent people: the chief of the large shop—the brigade leaders and engineering and technical personnel of the shop; the director of the enterprise—his immediate subordinates, head specialists, shop chiefs and engineering and technical personnel of the central staff; general director of a production association—the directors of the enterprises included in it, managers of other common subdivisions, and head specialists and engineering personnel of the association staff.<sup>11</sup>

According to another viewpoint all subordinates should participate in the election of a manager of any rank (above all, they should have the right to do this). In the first place, because modern workers, even rank-and-file workers, are much more competent to evaluate management than is indicated by the first viewpoint. They can and do evaluate the effectiveness of the activity of managers from indirect signs, final results, and the manner of their behavior, and they use "reflected" information, that which exists in the form of public opinion and very often reflects reality more objectively than direct knowledge does. In the second place, participation in elections of managers of any level corresponds to the objective position of the workers as comasters of public property, it develops the feeling of being a master, and it causes them to think about the existence of public

relations and their position in them, and it is also a realization of a most important right—the right to participate in public self-management. Participation in elections of managers has great educational significance and contributes to the development of a progressive type of individual who corresponds to the modern level of development of public production.

At very large enterprises with thousands and tens of thousands of workers there are technical difficulties when conducting elections of the top manager with the participation of all the workers. In this case one uses the institution of entrusted individuals of local production collectives or election workers who are selected by open voting at general meetings of subdivisions. In any case the second viewpoint is more democratic and offers all the workers an equal right to participate in elections.

Apparently the right to adopt one concept or another for organizing elections of high-level managers should be left with the collective until the objective practice of holding elections produces weighty arguments in favor of one or the other.

#### **Attention: Dangerous for the Society!**

There are also other obstacles on the path to correct realization of the principle of elections. Above all there is our old disease of formalism and keeping up appearances, and the desire on the part of certain party and economic managers to create as quickly as possible the appearance of well-being and activity and to gather capital for competition from any innovation, including elections. We are also bothered by the extremely cool attitude of the economic managers themselves toward the idea of elections, which is revealed in any public discussion and in sociological research. This is an alarming fact for as long as managers do not believe in elections and consider them a regular campaign, they will not develop democracy. And as long as this is the case there will be a danger of discrediting the very idea of elections and accidentally or even deliberately emasculating their essence. In addition to a failure to observe the principles and methodological requirements discussed above, the following are means of profaning elections: nominating candidates who are clearly unequal, holding elections at a time that is unfavorable for an undesirable candidate, failure to observe requirements for a quorum at meetings, forcing candidates to withdraw, putting pressure on the voters during the course of a meeting, searching for reasons for changing the results of the vote, demanding revotes, and so forth.

It is worth emphasizing once again that elections of economic managers will become more and more necessary and organic only as the existing economic mechanism and structure of management are restructured, the real independence of the enterprises is expanded, and the principles of complete economic responsibility of the collectives for the results of their work realized. And

until that time comes, practice will constantly demonstrate the various examples not only of suppression of the democracy of elections "from above," but also an eating away of it "from below"—tends to put in a vacant position a person who is less demanding but more "convenient" for the collective, the desire of the "loud minority" to impose their candidate on everyone, taking advantage of the low level of activity and the inadequate information of the majority of members of the collective, and so forth.

One must remember that opponents of restructuring, especially among managers, will in all ways discredit the idea of elections in order to subsequently prove that it is not justifying itself. It is necessary to look attentively to see whether we are being led in the direction of elections in each concrete case or if they are being camouflaged. It is necessary to sound the alarm and raise the public if a forgery is detected. We must not allow this important democratic principle to be "buried."

#### Footnotes

1. Lenin, V. I., "Poln. Sobr. Soch." [Complete Collected Works], Vol 36, pp 369-370.

2. Materials of the 27th CPSU Congress, Moscow, Politizdat, 1986, p 40.

3. Golobokov, S., "Position—Elective," PRAVDA, 22 January 1987.

4. It is still necessary to develop in mass public awareness correct criteria for effective management and requirements for business and personal qualities of managers. Mistakes along this path are, of course, inevitable. For example, a month and a half after the elections at the Krasnodar Combine for Industrial Housing Construction it became clear that the director who had been elected could not cope with his responsibilities. It was necessary to have new elections for a manager. One must think that the experience will be to the advantage of the collective. "New Elections," IZVESTIYA 30 May 1987.

5. Zhmyrev, L., "They Have Elected a Director. A New Labor Code in Bulgaria," PRAVDA, 19 January 1987.

6. Antropov, Yu., "Elections: The Right Exists, We Must Use It," SOTSIALISTICHESKAYA INDUSTRIYA, 11 February 1987.

7. See KOMSOMOLSKAYA PRAVDA, 27 January, 7 February, 26 March, 2, 7, 10 and 15 April, 10 May and 10 June 1987.

8. Zhmyrev, L., "We Are Electing a Director," PRAVDA, 19 January 1987; Zhmyrev, L., "People From 'Izot'," PRAVDA, 14 February 1987; Zhmyrev, L., "An Instructive Result," PRAVDA, 12 April 1987.

9. O'dinets, N., "The Happiness of Being Happy," PRAVDA 3 February 1987; Amosov, N., "We Shall Be Mutually Demanding," IZVESTIYA, 14 April 1987.

10. Gerasimova, G., "Be the Master! Self-Management at Hungarian Enterprises," KUZBASS, 2 June 1987.

11. Naturally, representatives of mass social organizations should be drawn to these elections and the opinion of the collective should also be taken into account.

#### Discussion Most Important

18200211a Novosibirsk EKONOMIKA I ORGANIZATSIYA PROMYSHLENNOGO PROIZVODSTVA (EKO) in Russian No 5, May 88  
(signed to press 1 Apr 88) pp 103-104

[Article by V. V. Ryazanova (Rostov-on-Don)]

[Text] I shall give an example from my experience in which, it seemed to me, a formal election would lead to harming the interests of production and the collective. There was a chief in our plant division. If we have been offered a choice between him and any other candidate we would not have selected him since he was too pedantic, fairly trivial, and did not concern himself with our daily difficulties (illnesses of children, lack of housing, and so forth). But since at that time managers were not elected we worked under him for several years. His dry and official attitude toward his subordinates was compensated for by his knowledge, ability to work, good organization, and high demandingness. Then, when this person was promoted, the workers of the division breathed a sigh of relief. The moral climate in the collective became easier but the production indicators (including bonuses) dropped.

Analyzing this and other examples from my own practice I have come to the conclusion that the main thing for fruitful joint work of the manager and the labor collective is not "the practice of elections" or "appointments" but "discussion" of the manager. It is possible to conduct a meeting, to nominate a candidate from the floor, to elect them to the position of manager, and beat the drums about expansion of the sphere of collective self-management, but nothing has changed. It is possible to administratively appoint an efficient worker and the collective can give him a hostile reception, and again this harms the cause. But if before the meeting the candidates for managers are comprehensively discussed (in the labor collective, in the personnel department and among the management) and at the meeting everyone gives his opinions about the merits and shortcomings of the candidate and the conditions under which they will have to work, then a correct selection is guaranteed. And it does not make any difference whose initiative brought the candidate up for election. His own, his comrades', that of the administration or public organizations. It is important that the collective accept the new manager in a consciously friendly way and that the administration, if



it has not been able to convince the voters of the advantages of their candidate, understand the need to support the elected manager.

I should like to discuss one more aspect of the election practice—determining the prevailing interests when electing managers. Here various kinds of interests intersect: personal (he should be kind and not a boor), collective (he should provide for the collective's work) and social (he should be able to put a stop to defective work even though this reduces the volume of the products that are produced and thus also his earnings). In order for each worker when electing a manager to proceed not from his own personal or group interests but to be guided by the interests of the enterprise, self-management agencies and party and trade union organizations, and the administration must conduct the most intensive information campaign and educational work in the subdivisions of the enterprise. It is necessary for openness in nominating personnel to become the norm for the life activity of the collective.

#### **Need for Professionalism**

18200211a Novosibirsk *EKONOMIKA I ORGANIZATSIYA PROMYSHLENNOGO PROIZVODSTVA (EKO)* in Russian No 5, May 88  
(signed to press 1 Apr 88) pp 104-105

[Article by V. N. Danisenco, sector chief of the Khabarovsk branch of the Central Scientific Research Institute of Shipbuilding Technology]

[Text] The practice of holding elections has not made the problem of selecting, training and placing management personnel less crucial. The election practice presupposes competition. But what competition can there be if today, according to data of the Labor Placement Bureau in Khabarovsk, at enterprises of the industrial region alone there is a need for directors, head engineers, deputy directors, chiefs of shops, sections and shifts—142, senior foremen and foremen—111, mechanics and energy engineers—59, and supervisors—11? This is only part of the actual need for managers since far from all enterprises submit their information to the bureau. And the greater the need the enterprise experiences for personnel the less the demand placed on them (on the level of competence, efficiency, discipline and so forth). The election practice has generated new problems: who should be elected and from among whom?

It is necessary to choose from organizers (managers) who are professionals. But where do we get these professional organizers? So far, as they say, they come from God. They are taught by life and at a very high price. VUZes and tekhnikum produce large numbers of mechanics, electricians, economists, chemists, and so forth, but not organizers. The search for organizers proceeds basically by the trial and error method. The first example. A young specialist has completed the institute or tekhnikum and has been assigned a job as a foreman. What is the main thing that is required of him? To organize

productive labor in his section. That is, he must correctly organize the workplace and its service, know and utilize advanced methods of labor, planning and norm setting, and payment and material incentives for labor. But he has not been taught to do this. And if he has been taught this course has occupied a miserly proportion of the overall number of training hours. Or another example. A good specialist (technologist, designer, and so forth) is appointed as shop chief. It is difficult for him. He must make mistakes. Never mind, they say, he is getting used to his new work and gaining experience. But we forget that his mistakes hurt the collective and production relations above all.

Where does one find a professional organizer? The answer, it seems to me, is simple—train them. In the United States every sixth or seventh student is trained for work in business. In Japan they "produce" administrative workers from the VUZes. There is experience in training managers in our country as well: in the Baltic states, Novosibirsk, Kishinev, and VAZ. But this is all episodic. We need a statewide system for training organizers. For some reason, as a rule, we elect judges from among professional lawyers, but managers—only from the amateurs.

The profession of organizer, leader and manager should be given a social status in our country.

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#### **INVESTMENT, PRICES, BUDGET, FINANCE**

##### **Proposed Need for Price Changes Meets Opposition**

##### **GOSKOMTSEN's Komin Interviewed**

18200195a Moscow *SOVETSKAYA KULTURA* in Russian 31 Mar 88 p 6

[Interview with A. Komin, first deputy chairman of the USSR Goskomtsen by I. Kartashova]

[Text] "How much does spiritual food cost today? Do not consider this question crude. Of course, on the one hand it is not very delicate to evaluate art in rubles. But on the other...if prices are constantly increasing in this tender sphere it is sometimes difficult for the rank-and-file worker who loves art.

"In recent years art lovers have had to reshape their budgets repeatedly. Phonograph records, books, and especially albums of reproductions have become considerably more expensive. Film and photography lovers have suffered: the prices of film and chemicals have increased and it has become more expensive to have film developed in laboratories. There is no need to even speak

of the cost of the equipment itself: inexpensive cameras have not been produced for a long time. Nor are there are inexpensive but good record players or tape recorders. And look at how the prices of subscription publications have increased: they have almost doubled for some 'thick' journals!

"But the saddest thing of all is the theater. The theater experiment that has taken place in our country is probably a necessary, a promising, thing but we viewers have experienced only one side of it so far: the change in the price policy.

"An instructive example. About 3 years ago I went to the Theater imeni Leninskiy Komsomol to 'Yunona' and 'Avos.' I was sitting in the last rows of the amphitheatre and paid a ruble and a half. But a couple of days ago I sat in almost the same place but it cost about 3 rubles.

"Recently some acquaintances of mine were in the Kolonna Hall of the House of Unions at a concert entitled 'Virtuosos of Moscow' by Spivakov. They spent 10 rubles (5 rubles for one ticket). Well, all right, the Kolonna Hall is in a class by itself but take the 'Olympic' complex where they have concerts of foreign 'screen stars.' This is a disgrace—you pay 5 or 6 rubles to sit in the 'gallery' where you cannot even see anything with binoculars!

"They can say to me, 'If you don't like it, don't go,' but the thing is that I do want to! And I want to buy books on art and I want to augment my record library, and I want to go to concerts. And in general I cannot say that I am tight with my money. I am bothered by something else: if the prices are raised, I want to know why and for what purpose.

"The country is preparing for restructuring in the sphere of price setting. The people are expecting a broad discussion of price reforms and are ready to become extremely involved in them, but all the time the prices are...quietly increasing. Certain enterprises, organizations and departments are successfully conducting their own internal 'reforms' without any plebiscite and without any agreement with the workers. How is this coordinated with the restructuring and openness?"

T. Fedorova, engineer-programmer Moscow

This letter from our reader is not the only one on this subject in the editorial mail. Higher prices are an issue that bothers everyone today. And there is nothing unnatural about that. It is natural, for example, that our needs almost always exceed our capabilities or, rather, the state's capabilities of satisfying them.

Our readers write with alarm about the fact that prices are increasing for consumer goods and consumer services and there are discussions about increasing the rates for travel and city transportation. Why? To what extent is this tendency predictable and how is it explained? In our day,

when we are faced with the question of radical restructuring of the entire system of prices and rates, is it possible in general to do without revising retail prices?

We address these questions to the first deputy chairman of the USSR Goskomtsen, A. Komin.

[Answer] There is no simple answer since it is precisely the system of retail prices that has become the mirror in which all the shortcomings of our present price setting are reflected. The main one is the disparity between retail prices and expenditures on production and consumer demand. And this means that the economic disease is not only in the prices but also in the monetary circulation, which is reflected in the condition of the entire economic mechanism.

One must say that prices have been increasing for a long time, and in all spheres of the national economy. In 1967, for example, new wholesale prices were introduced in industry—for coal, petroleum, metal and other things, and also in light industry. Why was this done? Because in industry there was an active increase in expenditures on production and, as a result, in production cost.

Sometimes people ask why production costs are increasing if labor productivity is constantly increasing? But production cost is not labor itself but labor expressed in monetary terms. These expenditures are formed on the basis of wages and, as we know, these are increasing and appreciably. Thus from 1955 through 1985 wages for kolkhoz workers increased by a factor of 7.6 and workers and employees of various branches of the economy—by a factor of 2.6. Wages are also increasing in the nonproductive sphere: for physicians, teachers, cultural workers, and so forth.

It is important to take into account that in the past 2 decades our wages have increased at higher rates than labor productivity has. Overall monetary incomes of the population have increased even more rapidly. Since 1955, for instance, payments for pension support alone have increased by a factor of 11. All this taken together comprises the economic basis for price increases.

Some people think this way: wage increases for physicians, teachers, and workers in the sphere of culture are a state matter and do not affect me. But where, one asks, can the state get this money if not from the results of this same public labor of people employed in the sphere of the production of material goods and services?

[Question] When we speak about price increases we always speak about the standard of living of the people. If increased wages necessarily entails increased prices, does not the level itself drop?

[Answer] It is impossible to judge the increase in the standard of living either from prices or from increased wages if they are taken individually. It is possible to speak about the fact that prices are too high or that there

are too many complaints only with respect to a concrete situation, to one kind of goods or another, or to wages of individual categories of workers. Otherwise the question becomes abstract.

Certain people, for example, write about the fact that during the 1950's we lived better. Is that so? Let us compare: in 1950 the average monthly wages amounted to 64 rubles 20 kopecks and now they are 200 rubles. In 1955 for each person each year there was 36 kg of meat, 238 kg of dairy products, and about 24 meters of fabric. In 1986 there were 62.5 kg of meat, 332 kg of dairy products, and almost 38 meters of fabric.

We must also take into account the fact that prices for food products on the whole have not changed very much since that time with the exception of the well-known increase in prices for meat and dairy products in 1962. Prices for nonfood commodities have increased, and appreciably. Passenger cars, items made of gold and silver, crystal, natural furs, rugs, individual kinds of furniture and several other items which we usually do not include among goods in mass demand have become more expensive.

[Question] But perhaps we do not include them because they are too expensive? But there is a joke going around which is based on truth: an automobile is not a luxury, it is a means of locomotion. Honestly speaking, the prices have increased mainly for things which have become fashionable and prestigious. For in the end a rug is not a means of investing capital but a useful thing which is frequently simply necessary in the home. But not even this is the main thing. For many years without any notification there has been a gradual increase in prices for various marketable goods. While previously, for instance, we brushed our teeth with pisorian for 25 kopecks and then storodent for 40, now we are offered toothpastes for 60, 65 kopecks or even a ruble.

And among those goods whose prices have increased two- and threefold there is a similar process. Inexpensive gold chains, for example, appear extremely rarely—mainly for 200-300 rubles. But rings for 3,000? It would be interesting to find out whom they are made for?

Another example. While previously in the movie theaters it was possible to buy a ticket for 25, 40 or 50 kopecks, depending on the seat, now the inexpensive seats have disappeared everywhere. Actually one should give many examples like this.

[Answer] Indeed, the "erosion" of the inexpensive assortment is now taking place everywhere. The main reason for this is that the production of goods in mass demand is lagging behind the growth of the monetary income of the population. Hence the deficit. And if the demand is not satisfied it creates unfavorable soil for the

enterprises to increase the output of costly products. If the deficit is eliminated and if the market is saturated with the necessary goods, this process will come to a halt of its own accord.

The new economic mechanism which was introduced this year—the changeover to complete cost accounting, self-financing, and self-support—is directed toward stimulating enterprises to produce that which the people need. With a shortage we simply cannot enter the new economic mechanism with a shortage for this contradicts its very essence—economic methods of management and principles of material interest.

The time has come to revise the entire system of state subsidies which can pertain directly to the "hidden potential" of price increases. The first subsidies appeared in the 1960's because of the fact that we had entered on the path to increasing procurement prices, whose level eventually surpassed retail prices. Then there were increases in wages and increased cost of fixed capital.... The amounts of subsidies began to increase at rapid rates. While in 1965 they amounted to 3.6 billion rubles, today they amount to 90 billion. But after all there must be a limit somewhere! And this is a question of such large scale that it leads directly to the restructuring of the entire system of retail prices.

[Question] Does this mean that introducing the principles of cost accounting into the area of culture will inevitably entail an increase in ticket prices?

[Answer] It is difficult for me to judge the future principles of cost accounting in theaters or prices for tickets, the more so since we do not establish them.

Culture has always been supported by state subsidies except for large spectacles. Theaters have always been subsidized. And will continue to be subsidized but the state is simply not able to increase the amounts of subsidies endlessly.

The theaters will be changed over to self-support. To what end? So that they can more actively attract the viewer. This is one side. The other is that it is necessary to materially stimulate the theater workers themselves—from the actors (who in spite of widespread opinion sometimes receive very little money) to the coat checkers and cleaning personnel. And it is quite natural that with this process the prices for individual performances will increase.

The question is this: why should the burden of material support for art be borne only by the state while the viewer more or less stands to the side? After all, the theater and the movie are directed toward satisfying aesthetic and artistic needs and they should gain authority and popularity. Everyone has already understood that



we cannot do without the principle of competition and constant search here. One asks why the viewer cannot materially motivate the person he wishes to hear and see?

[Question] You are right—it is necessary to pay for pleasure. But there is another side to the coin. In order to increase profit it is much simpler for the same theater to increase ticket prices than it is to look for new forms of work with the viewers. For example, the Theater imeni Yermolova in the capital wants to open a video salon and organize a number of interesting stunts in order to attract more viewers. But it is much simpler to raise the prices to 5 rubles and obtain the same money. Will the cultural institutions not follow the path of least resistance? Take, for example, movie theaters. They are being threatened. And they will continue to be threatened if only 10 people come to each showing. Are there any other methods of straightening out financial affairs besides increasing prices of tickets? It would seem that there are: intelligent formation of the repertoire and good advertising. At one Kharkov movie theater, we know that most young beginning artists of the philharmonic perform before the showings. There is a lot that can be done if one approaches the matter creatively! But, on the other hand, why beat your head against the wall if you can simply raise the entry price?

[Answer] All this is correct. Price setting in the area of culture is a complicated and multifaceted issue. For instance, there are proposals to change all parts of culture, clubs, and other cultural institutions over to complete cost accounting and self-financing. From the financial standpoint the state would be very interested in this of course. But from the spiritual standpoint? Would this path not lead to pure commercialism? And in general what should be considered the final results in this area. There are many problems here.

But on the other hand the state is not in a position to keep on increasing the amounts of subsidies either. We are earning three times as much as we were in the 1950's so why can we not agree to a certain increase in the price of a ticket to the movie, which was established in 1946? Look at what has become of the movie theaters—they are cluttered and dirty. Does the state really have to maintain the 150,000 movie points in the country on permanent subsidies?

I wish to emphasize once again that it is a new and difficult problem and it is necessary to experiment extensively in search for the truth.

[Question] But if prices increase for everything—from toothpaste to movie tickets—how can the less well off segments of the population live under these conditions? In the country there are almost 60 million pensioners, 5 million students, and 44 million schoolchildren who are

not yet able to earn money. Not to mention young specialists and other lower-paid categories of workers. For example, in the state committee for prices itself there are many employees who could not afford boots for 130 rubles or the theater for 5.

[Answer] Of course the problems you named exist and there is no way of getting around them. But they also existed before but nobody spoke of them, as though they did not notice them. They proceeded from the formula of presumed price stability and therefore, supposedly, pensions and stipends could also remain stable. Even though in reality life proceeded in its own way and prices did increase.

Ideas and attitudes of dependents have been developing in the awareness of the people for many years. Too frequently they have been assured that the economic difficulties our country encountered would be overcome by the party and the government and the people have nothing to worry about—everything would be taken care of. But in fact we ourselves must take care of it, through our labor and the sweat of our brow. And now the truth is that we cannot but deal with the economic problems that have been accumulated, including prices, shortages and inflation, for otherwise we will not be realists in the work for rectifying the mistakes that have been made. And the main thing at the present time is not only to speak the truth, regardless of how bitter it may be, but also to construct a realistic economic policy in keeping with it.

#### From the Editors

We thank the first deputy chairman of the USSR Goskomtsen A. Komin for his frank answer to questions which today, on the threshold of the price-setting reform, bother all of us, which is shown by the abundant reader mail. But hidden changes in prices that are made behind closed doors by practically departments and enterprises under their jurisdiction permeate the essence of the matter, with the tacit agreement of the USSR Goskomtsen. And the readers are right when they point out the fact that the increase in prices should be directly proportionate to the improvement of the quality of items and services, which does not happen in the majority of cases. All this, in our opinion, requires further consideration and discussion. And you should participate actively in this, respected readers.

#### Readers Oppose Price Hikes

18200195a Moscow SOVETSKAYA KULTURA in Russian 14 June 88 p 6

[Text] Two months have passed since the day of the publication of the conversation with the first deputy chairman of the USSR Goskomtsen, A. Komin ("The Price Is Higher. But Quality?", 31 March) and a selection of responses to it has been published, and letters from readers continue to come in. And it is not surprising—the proposed price-setting reform has made this question one

of the most crucial ones. A. Komin's answers to the questions from our correspondent were sincere, and the readers responded with equally sincere letters. Many sent entire articles in which they consider the problem from various positions, analyze the processes taking place in the country, and present interesting facts.

In publishing some of the letters we hope that the proposals and critical remarks contained in them will be taken into account when preparing the price reform.

#### Where To Look for Reserves

Comrade Komin asks that we be realistic in evaluating the consequences of our economic position which is associated with the constantly growing production costs of everything that is produced by our national economy, the deficit, and inflation.

Well I think the following are the reasons for this situation:

- the foolish policy in agriculture whereby millions of invested rubles go into the sand, and the endless reorganization of the management of the agroindustrial complex which leads only to increasing the numbers of people on its staff. Hence also the increase in state subsidies for agricultural products which spoil people and, the main thing, make them forget how to work;
- the astronomical losses in industry and construction. Everybody has already been hearing about them for decades;
- the maintenance of millions of jobs in the state bureaucracy, which makes the situation worse;
- immense expenditures on maintaining scientific institutions that give nothing to science or practice but swallow up billions of rubles;
- the construction of ostentatious buildings for high-level bureaucrats, all kinds of specialized hospitals, specialized polyclinics, and so forth.

I think that these are the main reasons why we sustain losses without prices. This is also the reason why our country has the lowest wages of all the developed countries.

It is necessary to fight against bureaucracy and do it economically. Otherwise they will take all of our mistakes and our inactivity that is so destructive to the country and turn them into higher prices, shifting all the burden onto the simple people, and keeping their own high salaries and all their orders and titles and special ration distribution shops.

This is what we need to fear—that today's bureaucratic adaptability will win out over the restructuring!

M. Tokar, Member of the CPSU

#### Where was the Goskomsen Looking?

No matter how many discussions of this subject I read in the press, they all seem equally unconvincing. When preparing for the reform it is necessary to convincingly explain to the people why a price increase will work correctly for us: improve the economy and not hurt the underprivileged. So far there are no such explanations that are built on "ironclad" convincing logic.

For example, A. Komin assures us that the shortage creates favorable soil for the output of costly products. But we can all see that the prices are increasing for products that have never been in short supply as well. There are many examples. The enterprises recently discovered that it is possible to rectify their shaky position through personnel. The ministries did not protest against this kind of plundering. The Goskomsen, judging from everything, did not object either, thus contributing to the process of inflation.

This covert increase in prices has already practically eaten up the increase in the wages of physicians, teachers, and workers of the sphere of culture which Komin mentioned, and also has basically emptied the meager purses of the pensioners.

Now it is intended to publicly increase prices for the most marketable goods. This is a bad idea from the standpoint of both economics and politics. It is impossible to cure inflation by encouraging inflationary processes. And how can one appeal to a person to work as hard as he can for the sake of restructuring and at the same time say that his actual earnings will decrease?

According to the deputy chairman's logic, everyone is to blame for the current economic confusion except...the ministries and departments. But who, one wonders, established the "average ceiling" prices? Who planned from the drawing board? Whose well-being was the motivation for the fact that for decades we were driven by the notorious "gross output," translating this into good? Who constantly adjusted the planning assignments so as to report fulfillment promptly and receive a bonus? Who generously gave out subsidies and loans, over the years getting people used to dependency? Who inflated to excessive sizes the uncontrolled management apparatus?

The ministries and state committees have always been the main staff of the Soviet economy and they are the ones who have planned, controlled, organized, distributed and indicated. They have been entrusted with all of our natural wealth, all of our working hands, and all of our scientific forces. And they have not managed them well... It is time to say: "They are guilty" and roll up our sleeves and start to work in a new way. We have done this...and we have begun our activity with violations of the Law on the State Enterprise (Association).

I know how optimistic plant workers were after the creation of the councils of labor collectives and the adoption of the law. But then came papers from the ministries with state orders that were not backed up by funds and the optimism was replaced by disenchantment: the same old thing!

Laws are no longer laws if they are violated with impunity. It is necessary to bring this matter to an end: to introduce into the Criminal Code the corresponding articles that envision punishments for damage caused to the state as a result of violations of articles of the law on the state enterprise and cooperation. It is time to put an end to the shameful practice whereby millions of rubles are thrown to the wind and there are no guilty parties.

Vladimir Dyatlov, writer Stavropol

### Money, But Not That Money

Comrade Komin refers to the average figures, probably forgetting that behind them are hidden the unsatisfactory material condition of a considerable proportion of the population.

I personally do not know a single person whose wages have doubled as compared to 1950 (in the same position). But as for myself I know that in the 1950's and the beginning of the 1960's the buying power was much higher than it is now. Then I was studying in an institute and received a 350-ruble stipend. For the majority of students the stipend was the only source of existence. True, we did not dress as today's youth do, but we were quite able to go to the theaters and concerts. Let Comrade Komin discuss the standard of living of the modern student who has only 35 rubles a month....

Upon completing the institute (in 1955) I began to work. My salary was 690 rubles and with bonuses it went up to 850. This money not only supported me but also made it possible for me to help my parents. At that time meat on the market was 12 rubles a kilogram and a large sack of potatoes cost 35 rubles.

In recent years prices have increased practically everywhere. About 25 years ago I paid 30 rubles for repair on my room while now this same repair on the same room costs 200. Rates have increased for sewing in atelier and prices have increased on Aeroflot (with the same quality of service, you will notice). And the price of tickets to theaters and subscriptions to "thick" journals?

So, dear Comrade Komin, our earnings are not increasing more rapidly either for the "average," not to mention "below average" level of the population. No matter how you look at it, the prices are increasing more rapidly.

L. Davydov, a Rostov-on-Don

### We Need To Learn To Manage

The reform should be directed toward more complete satisfaction of the growing material and spiritual needs of the average and underprivileged people, and it should not be based on the possibilities of the highly paid groups of the population. Do we have a real possibility of conducting the reform in 2-3 years on this plane? Yes, if we meet several necessary conditions.

First we must eliminate the extremely large nonproductive losses and expenditures. The Gosagroprom alone on the way from the field to the consumer loses 15-20 percent of the food products annually. We must spend foreign currency in order then to make up for these losses through imports.

Similar losses take place in all departments: elevators full of grain burn, petroleum burns, forests burn, ships and aircraft perish, unmarketable goods pile up in the warehouses, and public property is plundered. And how many construction projects are there in the country which have been started and then abandoned, equipment that has been purchased and then left to rust? It is difficult to say.

Can a price increase really eliminate these disgraces and crimes? On the contrary, it is only possible to cover them up, to camouflage them, and thus to contribute to their expansion. It is necessary to do everything possible so that the guilty parties pay.

Second. It is necessary more resolutely to conduct intensification of production, to increase the intensiveness of labor and, as a result of this, to achieve a sharp reduction of production costs. After all, it cannot be considered normal that light industry alone annually fails to produce almost 2 billion rubles' worth of products. In the Gosagroprom more than 6,500 kolkhozes and sovkhoses operated at a loss according to the results of the year, in spite of the considerable increase in procurement prices and the introduction of price increments.

Many economists, proving the need to increase prices for food products, advance the idea of the objective losses from agriculture and the impossibility of doing without subsidies. In my opinion this is a dangerous theory. The experience of many kolkhozes and sovkhoses shows their viability and profitability. With skillful leadership and the observance of agrotechnology, the cost can be fairly low.

Third. It is necessary once and for all to tell managers and collectives of enterprises, organizations and local authorities that they themselves must find the ways out of their crises without increasing prices for their products.

With skillful management of the economy at all levels and effective utilization of the levers for regulating the economy and accelerating production there will be no



need to resort to increasing prices. It will be sufficient to regulate them and to check on their movement as production improves. Movement downward.

A. Bespyatko, veteran of war and labor Moscow

#### I Think That....

...Comrade Komin evaded the answer to the question of how underprivileged segments of the population can live under the conditions of ever increasing prices. He says that the earnings of kolkhoz workers have increased by a factor of 7.6, but in the stores there is still no meat, dairy products, fresh vegetables or fruits.... What do they receive for this money? And we librarians are experiencing no increase in wages. But what will happen when the prices rise?

L. Sitnikova, librarian Lvov

...It is impossible to operate with "average" earnings. I am a worker with a rate of 90 rubles and a bonus of 40 rubles a month. This is the fourth category. The earnings from my category increased in July. But this is only on paper. I will receive the same money since they will revise the rate and instead of the fourth category I will be assigned the second. That is, my position will remain the same but the Goskomsen will think that I have begun to receive a lot more and will arrange its price policy accordingly. Of course, some people will also receive real increases. Thus my boss received 220 rubles and now receives 270 not including bonuses. On the average I have received an appreciable increase along with him, only I cannot buy anything with it.

T. Leonenko Leningrad

...Our economists should answer to the people frequently and directly: will there be a ceiling on prices, will economic reforms finally do some good, and not just harm us simple people? Or, as Komin said, "There is no way of getting around these problems," that is, the prices will increase anyway, no matter what you say?

V. Kashcheyeva Barnaul

Among the multitude of letters that have come into the editorial office we cannot find a single one whose author would support a price increase. What does this tell us? Of course one can say that everyone is looking out for his own interests. Incidentally, there is nothing immoral about this, not to mention unnatural.

But we cannot fail to take into account another factor either—the mass of reader mail contains concern for inefficiency, squandering of public funds, and negative phenomena that slow up the restructuring and impede complete development of the initiative and talent of each individual. The readers correctly point out also the fact that specialists writing in the press do not have sufficient arguments for the need for the forthcoming reform.

We hope that the economists and specialists in the area of price setting will take under advisement the opinion of the readers—people of all ages and the most varied occupations.

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#### Alternative Price Method Proposed To Remove Imbalances

18200181a Moscow *EKONOMICHESKAYA GAZETA*  
in Russian No 20, May 88 p 13

[Article by P. Osipenkov, candidate of economic sciences: "Balance Price and Reproduction Price"]

[Text] As the initial and fundamental principle of the new concept of price formation Yu. Borozdin (No 12, "Problems of Radical Reform in Price Formation") proposes the adoption of a provision concerning the need to set market balance prices, "which would contribute to the maximum degree to a balance of supply and demand in the national economy." At the same time, the author's most significant practical proposals boil down to the following: First, to increase retail prices of foodstuffs in order to eliminate subsidies for their production. Second, to raise the level of wholesale prices of products of nature exploiting sectors in order to create possibilities for transferring appropriate enterprises to self-financing. Third, to change over to an extensive utilization of contractual prices by enterprises and ministries.

Undoubtedly, higher retail prices of foodstuffs, increased wholesale prices of products of raw-material sectors and fuel-power and construction complexes, and most contractual prices will reflect expenditures on production more fully.

With regard to the balance of supply and demand, it will not be attained even if the proposed measures are implemented. In order to attain a balance on the market of consumer goods, it is necessary to proceed from the amount of surplus money in circulation, not from the sum of subsidies for the production of foodstuffs.

More than 275 billion rubles are now kept in savings banks alone. Undoubtedly, considerable sums of money are also in the hands of the population. Furthermore, the sum of monetary savings increases by 15 to 20 billion rubles annually. Therefore, in order to attain a balance on the market of consumer goods, retail prices must be raised at one time by the total sum of unmet demand, which is much lower than the sum of all monetary savings. In order to maintain the attained balance, prices will have to be raised constantly so that the sum of monetary savings does not increase, or increases much more slowly than now. At the same time, not only prices of foodstuffs, but also of industrial goods, the demand for which exceeds supply, will have to be raised. As is

well known, at present such groups of goods are considerable. Therefore, when one problem is solved, other problems, which are no less acute, appear.

In particular, when retail prices of foodstuffs are increased significantly, the problem of a serious reform in wages and in the entire system of the population's income arises inevitably. Nor does the introduction of compensatory payments fully solve old problems, but creates new ones. For example, it "hangs" on wages another social function not characteristic of them and does not intensify, but rather weakens, their stimulating role.

It seems that the implementation of such measures will lead neither to the attainment of a balance between supply and demand, nor to the release of the budget from subsidies (because subsidies will be paid, if not to producers of products, to their consumers), nor to an increase in the interest of enterprise collectives in lowering production expenses. It leads only to an elimination of unprofitableness in foodstuff production and brings wholesale and retail prices closer to production expenses, but does not yet ensure a sufficient profitability of foodstuff production.

These measures signify none other than advancement along the path of realization of the "expenditure principle." Moreover, owing to the direct dependence of wage funds on increases in the volumes of production and profits, enterprises will strive to overstate contractual prices of the products produced by them. The introduction of the proposed progressive scale of taxation on above-standard profits will not be able to prevent this, because this tax leads neither to a reduction in wage funds, nor in material incentive funds of enterprises. As a result, the "expenditure" nature of contractual prices can prove to be even more pronounced than now.

**A truly scientific basis for prices can be found only when socially necessary expenditures on the production of every type of product are determined. Price setting in accordance with these expenditures would really signify a radical reform in the entire price formation system. At the same time, this would also ensure a balance between supply and demand.**

One of the most important goals of the economic reform lies precisely in ensuring the main condition for a high effectiveness of prices and of the entire economic mechanism—direct dependence of funds for wages and for the social development of enterprises on production results in value form. This is inconceivable without bringing prices into conformity with socially necessary expenditures and with the needs for the transfer of enterprises to genuine cost accounting and self-financing.

Actual values of goods and socially necessary expenditures on their production are most fully expressed in reproduction prices, which reflect not only current

expenditures on the development of products, but also expenditures on the formation of the accumulation fund and public consumption funds. They also include a certain part of the economic effect from the use of articles with higher qualitative characteristics in the national economy. Such prices reflect national economic proportions, labor, material, and capital intensiveness of products, and the efficiency of their utilization. They can be constructed on average sectorial data if production conditions are reproducible as in processing sectors of industry. However, if production conditions are determined by natural factors (that is, are not reproducible both in agriculture and in extractive sectors), prices must be determined according to the data of specific enterprises or groups of enterprises with the same conditions. At the same time, it is legitimate to consider actual expenditures on production socially necessary, because otherwise it is impossible to equalize management conditions at equal enterprises.

With reproduction prices the best conditions are created for the transfer of enterprises of all sectors to self-financing. According to value indicators calculated on the basis of such prices it is possible to reliably judge actual production results and the actual efficiency of management. Furthermore, here it becomes possible to make the amounts of wage funds and, more broadly, consumption funds of enterprise collectives directly dependent on their gross income. Since gross income depends on an increase in volumes of output, on a decrease in all types of expenditures on its development, and on the economic efficiency of mastering the achievements of scientific and technical progress and of using articles with improved characteristics in the national economy, the wage funds formed in a direct relationship to it play the maximum possible role in stimulating the activity of enterprise collectives for an increase in the efficiency of management and technical development of production.

In other words, with reproduction prices it becomes possible to create a truly antiexpenditure economic mechanism ensuring the most profound interest of labor collectives in an all possible reduction in production costs. As a result, at many enterprises it may become possible to lower contractual prices for the purpose of raising the volume of sale of output and, owing to this, obtaining increases in gross income and, consequently, in wage funds, which exceed their decrease due to the price reduction.

With regard to the market balance, it is also ensured by reproduction prices, because the determination of prices is based on a consideration of basic reproduction proportions, including the rates of development of sectors and enterprises, at which a balance of supply and demand is attained.

## POST HARVEST CROP PROCESSING

### Food Industry Head on Processing Progress, Problems in Uzbekistan

18240088 Tashkent SELSKOYE KHOZYAYSTVO  
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[Interview with Batyr Kuchkarovich Kasymkhodzhayev, Director of the Main Administration of the Food Industry, Uzbek Gosagroprom [State Agro-Industrial Association] by A. Labareshnykh: "Acceleration for the Processing Industry." A similar but shorter interview was published in SELSKAYA PRAVDA 14 May 88 p 2]

[Text] In October of last year the CPSU Central Committee held a meeting to discuss the tasks of party and economic organs with regard to accelerating the development of the processing branches within the agro-industrial complex. It was noted at the conference that both on the national scale and locally it is essential to provide a powerful impulse for the implementation of party aims dealing with the priority development of processing branches and to take radical measures to develop and implement the reequipping and thorough overhaul of the material-technical base of this important branch within the national economy. What is being done in this direction in the processing enterprises of UzSSR Gosagroprom [State Agro-Industrial Association]? This is the subject of the discussion with B. K. Kasymkhodzhayev, Director of the Main Administration of the Food Industry within the republic's agroprom.

[Question] Batyr Kuchkarovich, at its October conference the CPSU Central Committee focused a great deal of attention on the problems related to developing and introducing intensive technologies, new techniques and equipment. What is being done in this regard in agroprom enterprises?

[Answer] We have always devoted very close attention to this problem. In the confectionary branch the technology for producing goods with the use of surface-active agents, pyrosulfate sodium and starch that has the ability to swell has become widely used, which enables us to improve product quality and to significantly economize on costly raw materials. In the production of non-alcoholic beverages various preservatives, extracts and concentrates made from local condiment-aromatic grasses and fruit-berry raw materials are used. In general it should be noted that extensive work is being carried out to significantly increase the amount of local raw material used. Over 40 varieties of non-alcoholic beverages and about 30 varieties of confectionaries are produced on this basis.

At the Namanganskiy Beer-Non-alcoholic Beverage Combine it is planned to introduce a production technology for non-alcoholic beverages in powder form, for beverages developed by the Moscow NPO [Scientific-Production Association] and for mineral water.

At the Kibrayskiy Combine for Refrigerated Beverages the production volume of malt is increasing using a new technology which enables us to improve malt quality and curtail barley losses. Here a technology is being introduced for producing dry beer medicinal yeasts from the waste products of the beer-brewing industry. In various branches of the food industry membrane technological processes have proven themselves well. In the republic their initial use is planned beginning next year, with the goal of improving quality and increasing the shelf-life of beverages. In 1987 the production of tea with aromatic additives from local grasses was assimilated in order to fulfill the goal of increasing raw materials.

New, highly productive equipment is being introduced in the oil and fat branch. For example, the workers of the scientific-production association, Maslozhirprom [Oil and fat industry association], proposed modernized distillers made from titanium. Highly efficient RZ-MOA prepressing units are being installed in enterprises. The production of salad oil using the reesterification method has begun. This has enabled us to sharply improve the quality of the salad oil and to increase the productivity of the equipment.

Of course in our enterprises we still have a great deal of outdated and physically obsolete equipment which has been in operation for up to 20 and more years. An especially difficult situation exists in the Urtak Confectionary Factory. Here about 45 percent of the equipment is worn out. The enterprise is short 3,000 square meters of production area. All of these shortcomings have a serious effect on the quality, assortment and volume of products being produced. Technological equipment is operated with interruptions at the Almalykskaya Confectionary Factory as well. The equipment at the Tashkentskiy, Yangiylskiy and several other oil and fat combines and oil plants is operating marginally.

[Question] What is being done to improve the quality and standardization of the products that are being produced?

[Answer] Last year we produced almost 107 million rubles' worth of high-quality goods that were in great demand by the population. Within general production volume the proportion of products in the highest quality category equalled 10.6 percent, including in the confectionary branch—52 percent.

Seminars and conferences are being conducted with the goal of disseminating progressive experience to improve production quality. Last year three such seminars were held, including one all-union seminar. In six enterprises permanent points have been organized to deal with problems of standardization, weights and measures and quality assurance—so-called "quality bureaus." In 1987 the Technical Conditions for four types of products in the oil and fat branch were mandated and normative-technical documentation was developed for three types of non-alcoholic beverages. Obsolete products that are not in



demand are being removed from production. For example, the production of Glitserinovoye, Vazelinovoye and Karmen toilet soaps and Gorodskoy and Osobyy margarines has been halted. In 30 enterprises within our branch a comprehensive system of product quality assurance is in effect. Its introduction is planned for another two enterprises. Thus, this system will encompass over 90 percent of labor collectives. Enterprises have introduced the position of deputy director for quality with the goal of increasing responsibility for the quality of the products that are being produced.

At the same time despite the measures being taken to improve quality and adhere to standards, there are still cases of poor-quality product manufacturing. Last year at the Urtak Confectionary Factory the organs of Gosnadzor [State monitoring committee] scrapped about 101 tons of confectionary items, in the Lazzat association—252 tons of confectionary items, and in the Tashkentpivo Association—11,000 decaliters of non-alcoholic beverages. I think that with the introduction of progressive technological processes, with the replacement of worn out equipment by highly-efficient equipment, and with an increase in discipline and responsibility of workers our enterprises will reduce the production of defective products to a minimum.

[Question] **Batyr Kuchkarovich, the proportion of manual labor is still large within the enterprises of the processing industry. What kinds of measures are being taken?**

[Answer] Unfortunately, the proportion of manual labor in our enterprises is still truly perceptible. If we take the oil and fat branch, the degree of mechanization is fairly high here. In these enterprises work dealing with mechanization is carried out basically in the direction of improving the system of loading-unloading and transport-storage operations (PRTS).

Today designs are being developed for the building of mechanized storehouses for the reception and storage of cotton seed at the Kattakurganskiy and Ferganskiy oil and fat combines and the Karshinskiy and Namanganskiy oil extraction plants. This year the building of this kind of storehouse will be completed at the Kaganskiy Oil-Extraction Plant, and the building of a mechanized storehouse for storage and sale of oil cakes will be begun at the Yangiyulskiy Oil and Fat Combine. Pneumatic conveyors are being introduced in oil and fat enterprises for the transfer of husks and oil cakes, as are modernized pneumatic unloaders of cotton seed with a productivity of 40 tons per hour. A bundle packer, the design of which was developed by workers of the specialized institute, SredNIIPK.Ipishcheprom [Central Asian scientific research planning and design institute of the food industry], is in operation at the Gulistanskiy MEZ [Oil-extraction plant]. Work is also being carried out to introduce container-shipment of vegetable oil, mayonnaise and margarine into the trade network. Thus it will be possible to fully eliminate manual labor in these operations.

Within the confectionary branch we are continuing to introduce mechanized flow lines for production output. In 1986-1987 at Yangiyulsk's Lazzat PKO alone seven lines were put into operation for the processing of marmelade, zefir sweets and candies. An integrated mechanized shop for cookie production will be put into operation at the Urgenchskaya Confectionary Factory. In the Tashkentpivo Production Association highly productive automatic manipulators from the CzSSR are being introduced for packaging of products into polyethylene crates. In this same association as well as at Khamzhinskiy Plant for the Bottling of Mineral Water, metal storage crates with a capacity of 140 bottles each are used for shipment. Already this year the UzSSR Gosagroprom will begin to manufacture standard containers of the Sh10-VTK type for bottle and per unit production. Their introduction is foreseen by the program on progressive technology for moving goods in Tashkent and Samarkand and will enable us to sharply curtail manual labor. We expect a significant curtailment of manual labor as a result of the substitution of unproductive (6,000 bottles per hour) bottling lines by highly productive lines (12,000 bottles per hour using domestic production and 15,000-25,000—using imported production) and with the mechanization of final processes relating to packing finished products and collection of packaging.

[Question] **You said that in food industry enterprises there is a great deal of obsolete equipment for the restoration of which spare parts and components are needed. What kind of help are machine-building plants rendering in manufacturing such items?**

[Answer] It is true that in our enterprises a significant portion of fixed production capital is in need of renovation and repair. The operation of equipment is also exacerbated by the fact that we are centrally supplied with an extremely inadequate quantity of spare parts and subassemblies. This makes preventative and capital repairs of equipment, especially of imported equipment, more difficult. To improve the situation the republic's council of ministers has passed a resolution that assigns machine-building enterprises of union subordination the task of manufacturing equipment and spare parts for the confectionary branch.

It is essential to note that leading machine-building enterprises such as the Tekhnolog NPO, the Production Association imeni Chkalov, the Podyemnik Production Association and others have already become actively involved in this work. It is planned to deal in the same manner with the problem of supplying spare parts to other branches of industry—oil and fat, tea and tobacco.

[Question] **What has been the contribution of scientists in the development of the processing industry?**

[Answer] Scientists are making a considerable contribution to the development of the food industry. Their elaborations are being used to introduce progressive

technological processes and highly efficient equipment. Thus, upon the recommendation of Leningrad's Maslozhirprom NPO, the technology for producing valuable vegetable oils from kernel raw materials—almond, peach, tomato, apricot, grapes and so forth—has been assimilated at the Kokandskiy Oil and Fat Combine. These vegetable oils are widely utilized in the perfume and pharmaceutical industries. Using the elaborations of the Institute of Bioorganic Chemistry of the UzSSR Academy of Sciences, Chartakskiy Plant of the Namangan PBK [Further expansion unknown] has begun to produce food coloring from hollyhocks. This food coloring is now being used in the production of refrigerated beverages, and beginning this year it will be used in the confectionary and meat and dairy industries.

At the present time with the help of scientists the process of obtaining industrial gossypol is being implemented. Following the elaborations of the Maslozhirprom NPO and the SredneazNIIPKIpishcheprom Institute, improved methods are being introduced for cleaning sewage, in particular the ultrafiltration method with the use of membranes. Work is being carried out to develop resource-saving and waste-free technologies, standard highly efficient shelling-separator units, and highly efficient equipment for oil extraction and for fat production, thereby improving product quality as well as environmental conservation. The manufacture of anthranyl gossypol has been organized; it in turn is the raw material for producing new medicinal preparations developed by the UzSSR Academy of Sciences' Institute of Bioorganic Chemistry.

The Kokandskiy and Andizhanskii oil and fat combines and the Uchkurganskii Oil Extraction Plant have assimilated the production of oleic acid according to the elaborations of SredNIIPKIpishcheprom.

A special design bureau on automation of the IVTs [Computer information center] of Uzgosagroprom [Uzbek state agro-industrial association] is developing the "Automated System of Express-Analysis of Cotton Seed Quality." Its introduction will enable us to automate the process of determining the quality of cotton seed arriving for processing and to monitor its condition during storage in storehouses as well as to establish the sequence for processing raw materials to produce the largest quantity of oil. The workers of the branch scientific-research laboratory of the department, "Processes and equipment of chemical technology," of TashPI [Tashkent planning institute] have developed a worm conveyor drier for cotton seed. Its introduction enables us to prevent the spontaneous heating up of cotton seed and to improve its preservation. This means an improvement in the quality of products being produced by them.

[Question] An important role in accelerating the development of the processing industry must be played by highly trained cadres. What is being done in this direction?

[Answer] The branch's enterprises are carrying out continuous work to train and retrain specialists in the leading professions. At the Kokandskiy Oil and Fat Combine, for example, a school of progressive experience has been organized. Here workers involved in separation, pressing, shelling and rolling, instrument control workers in shops, refiners and other specialists increase their training. A dispensary is in operation at the combine on a 24-hour basis. Here specialists can improve their health while they are retraining. A similar clinic will open at the Ferganskii MZhK.

In our enterprises serious attention is being focused on improving working conditions and on correcting social and consumer problems. Thus, the Urgenchskii MZhK has a psychological stress-release room; every shop has a lounge with the requisite furniture, television, radio and refrigerator. A settlement is being built at the Kibrayskii Combine for Refrigerated Beverages with the goal of securing cadres. Here also every shop has a lounge.

Last year over 80 graduates of higher educational institutions and over 100 specialists with a middle technical education were sent to the branch's enterprises. In many labor collectives employees and engineering-technical workers have been certified.

Of course, not everything is going smoothly yet with regard to supplying our enterprises with trained cadres. There is a shortage of highly-trained repairmen and machinists-operators for servicing new, modern, highly-efficient equipment and specialists in the oil plants of KKASSR [Karakalpak Autonomous Soviet Socialist Republic]. People do not come to these enterprises due to housing problems, inadequate social and consumer services and low wages. These and other reasons bring about an increase in cadres turnover. At the Urtak Confectionary Factory, for example, up to 25 percent of workers turn over each year.

Under conditions of perestroika and the transition of enterprises to self-financing and self-supporting production cadres problems are becoming even more urgent. For this reason the directors of enterprises and associations must make a more thorough study of the needs of workers, analyze the existing circumstances and on this basis draw the corresponding conclusions.

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## LIVESTOCK AND FEED PROCUREMENT

Lead Article on Meat Program in Eastern RSFSR  
18240085 Omsk ZEMLYA SIBIRSKAYA.  
DALNEVOSTOCHNAYA in Russian  
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[Article: "The 'Gov'yadina' [Beef] Program Requires Closer Attention on the Part of All Workers of the Siberian and Far Eastern Agro-Industrial Complex"]

[Text] In most areas of the region the situation involving supplying the population with food, and especially with

meat products, remains serious. Per capita consumption of these products is still growing slowly and if decisive measures are not taken today many years will be required to bring the level of per capita meat consumption to the scientifically-based norm.

An analysis of the status of the branch attests to the presence of great potential and unused reserves for increasing livestock production volume, and first and foremost beef production volume. In many enterprises calves are capable of reaching a weight of 400-450 kilograms at the age of 15-17 months. Here is just one example. In Nazarovskiy Sovkhoz of Krasnoyarsk Kray the introduction of effective technological and organizational solutions to beef production and the high level of feeding have enabled farmers to increase average daily weight gain for raising and fattening to 1,000 grams with an outlay of 9.5 quintals of feed units and 10 man-hours per quintal of increase. Calves are sold at the age of 18 months with an on-the-hoof weight of over 500 kilograms.

The use of intensive factors in managing the branch has enabled farmers to sharply increase meat production not only in individual enterprises but also in the oblast in general. Tomsk Oblast, for example, now produces 64 kilograms of meat per capita. And whereas in the 1970's the oblast imported up to 30 percent of its meat, 80 percent of its eggs and 19 percent of its dairy products and supplied itself with vegetables by 50 percent, now it supplies itself with meat, milk, eggs and sends some of its vegetables and potatoes to other regions. Effective measures to supply themselves with beef and other food products are being taken in Omsk and Kemerovo oblasts and Khabarovsk Kray. Our magazine described the experience of some enterprises of these oblasts and the kray.

And still despite the fact that noticeable positive changes are taking place in livestock raising the Govyadina [Beef] programs, which are available in practically all territories of Siberia and the Far East, are being carried out slowly. What are the reasons for this kind of situation in the branch? The first has to do with the fact that some regions have begun to noticeably decrease the size of their herds. At first glance this may appear to be a positive phenomenon but these kinds of measures can be justified only if they are accompanied by increased productivity in cattle. In actual fact in many cases both the size of the herd and the productivity of cattle decrease. What kind of intensification of the branch is this?

Enterprises that raise young from the suckling period until fattening is begun suffer particularly great losses. Calves are often maintained wherever there is a spot available and are fed whatever is at hand. This kind of cultivation results in non-reimbursed losses. As a rule it is extremely difficult to cover the increase that is not achieved today. Calves that are later fattened under good circumstances reach a weight of 400 kilograms only at

the age of 25 months, which is 7-8 months older than with intensive cultivation and fattening. Economists have calculated that losses due to the holdover of one head of cattle equal 400-800 rubles. Under self-financing conditions such losses can affect the economy of the enterprise as well to a significant degree. For this reason the first and urgent task is the organization of purposeful raising of cattle from the first day of their lives.

Up until and including the present time scientists have not had a unified opinion about the method for raising cattle. But they are carrying out tireless research, and it should be noted that it is not without success. Recently our magazine published an article entitled, "Stalls Are Better" (1988, Number 1) which showed that untethered stall upkeep of cattle, which provides biological activity, increases labor productivity by a factor of 1.5-2. In Taskayevskiy Sovkhoz, as noted in this article, with the transition of the entire herd of calves to untethered-stall upkeep the increase in live weight using the same feeds increased by 500 quintals. Or let us look at the so-called karym technology, which guarantees a 100-percent survival rate for calves and an increase in its productivity (Journal ZEMLYA SIBIRSKAYA, DALNEVOSTOCHNAYA, 1988, No 2). The best experience in maintaining calves must be studied intently in every enterprise, brigade and link; it must be extensively introduced.

Many kolkhozes and sovkhozes also bear great losses from cattle plague, from the underproduction of progeny and from the delivery of underweight cattle. Novosibirsk Oblast, for example, last year remained in debt to the government in terms of meat for these very reasons; even today great difficulties have arisen with regard to the fulfillment of the plan. Unfortunately, these kinds of circumstances exist not only in this oblast. The same can be said of Chita, Amur and many other oblasts. In connection with this we have extremely serious results—from the delivery of low-weight calves alone the RSFSR has underproduced 500,000 tons of meat. Losses from the sale of unconditioned low-weight animals, from the death of animals, from cattle plague and from the underproduction of progeny each year reach 1 million tons of meat worth over 2 billion rubles.

Practical experience confirms the clear effectiveness of specialized enterprises for fattening livestock. Right now in the RSFSR there are over 2,000 enterprises and 167 large complexes for beef production working under conditions of interbranch and interfarm specialization. A significant portion of these is operating within our region. Their effectiveness is evident in comparison with the indexes of kolkhozes and sovkhozes. Average daily weight gain in live weight during fattening equals 700-725 grams in complexes, which is over 200 grams more than on the average for the republic's enterprises. The delivery weight of one head of cattle has increased by 18 kilograms and comprises 402 kilograms. Feed expenditures per quintal of weight gain are 30 percent lower and



labor expenditures are lower by a factor of 5. The level of production profitability for beef equalled 8 percent in kolkhozes and sovkhozes in 1986, and in complexes—34 percent.

By 1990 in the RSFSR beef production must increase by 1,900,000 tons or 40 percent as compared to the average annual volume for the past five-year plan. Intensification in raising and fattening calves, the development of specialized meat livestock raising and the extensive organization of industrial fattening must become the basic directions here. This requires a significant strengthening of the material-technical base of existing fattening enterprises and the organization of new specialized enterprises for the intensive raising and fattening of cattle.

Until now dairy and dairy-meat breeds have been the source of beef production in the region. Despite the fact that the proportion of meat breeds in the herd is not large as it is—2-3 percent—in recent years there has been a tendency to decrease it, which has steadfastly lead to a drop in beef production. Specialists feel that it is essential to take the most effective measures to develop meat livestock raising, especially in those regions which have pasture lands and where intensive feed production has been developed on reclaimed lands. The experience of sovkhozes such as Sonskiy and Belelikskiy of Krasnoyarsk Kray and Sadvovskiy of Novosibirsk Oblast long ago proved the advantage of precisely this kind of approach to the matter.

In analyzing the results of the fulfillment of the Govyadina Program we can say with complete assurance that if some changes have occurred within the branch it is primarily because of increased feed production and the improvement of feed quality. In connection with this I would like to stop in particular on two crops which, as specialists feel, can play an important role in the development of the feed base—corn, cultivated according to grain technology, and rape. During the past year we were able to procure almost 6.5 million tons of grain-stubble mass (throughout the RSFSR). A large quantity of silage with ears in the milky-wax stage of ripeness has also been stored. The cultivation of corn according to the grain technology, its use in the preparation of grain-stubble mass (karnazh) as well as a significant increase in rape provide a guaranteed increase in animal productivity. For example, Udarnik Poley Kolkhoz of Kemerovo Oblast has been very successful in feeding rape oil cakes to animals; here 350 tons of rape were produced. There has been a noticeable increase in weight gain in cattle in many enterprises of Tomsk and Omsk oblasts, where high-quality silage with ears and rape oil cakes were introduced into the ration. The task is to expand the cultivation of these crops everywhere this year and to achieve growth in the harvest.

Today in every oblast, kray and republic the Belok [Protein] Program has been confirmed. Its implementation means noticeably improving the situation involving

the production of meat and milk and strengthening the financial circumstances of kolkhozes and sovkhozes. Calculations show that if the ration had been balanced in 1986 it would have meant the additional production of about 800,000 tons of meat throughout the RSFSR. Of course this was known to all agricultural committees but even last year they did little for the production of high-protein feeds. Otherwise how do we explain that the program for the production of peas, rape, soy and perennial leguminous grasses was not fulfilled. Measures to dry out soybeans using active ventilation, pressing and the building of silage-haylage structures and root crop storehouses were fulfilled by 60-80 percent.

The refusal of agronomists to deal seriously with the production of legumes arises not so much from the labor-intensiveness of cultivating these crops as from the productivity of these crops, which is less than that of spike grain crops. Many agronomists still do not understand that the pursuit of harvest quantity sometimes results in a large underproduction of feed. Thus, on the average for the past five-year plan in the republic the productivity of barley equalled 13 quintals per hectare, whereas that of legumes was 10.8. But translated into digestible protein one hectare of barley yielded 1.05 quintals and of legumes—2.16 quintals. In order to produce this quantity of protein we must raise the productivity of barley to almost 27 quintals per hectare.

The experience of the best Siberian enterprises shows that protein production can be significantly expanded only under one condition—with the use of the entire arsenal of leguminous crops. However, in many rayons of the region little is being done to expand the area in perennial leguminous grasses, especially clover and alfalfa. In some places feed yeasts, which can be obtained from waste products of the timber industry, have been excluded from the arsenal of protein reserves. In our region such possibilities do exist, and they are not small.

There are many reserves for increasing feed production within the enterprises of the meat and dairy and the mixed feed industries but they are not being utilized fully by far. Raw materials resources of the meat combines in Maritime Kray and Amur Oblast are being utilized especially poorly. Here equipment for the production of dry animal feeds are being used at 50-60 percent of capacity. Last year 13,000 tons of defatted milk, which could have been used to produce 1,250 tons of ZTsM [Whole milk substitutes], were returned to the enterprises of Kemerovo Oblast. Nevertheless, due to the poor work of the Anzhero-Sudzhenskiy Plant the defatted milk was not processed and 1,500 tons of whole milk substitutes were imported from other oblasts. The work to process grain into mixed feeds and feed mixtures has been poorly organized in Kemerovo, Novosibirsk and Irkutsk oblasts and Altay Kray.

All of these and other factors speak of the fact that there still exist considerable reserves and shortcomings in feed production, which is the basis for the development of

livestock raising. The quickest use of these reserves and the elimination of the shortcomings of course will help to implement not only the Govyadina Program but also the intensification of livestock raising, the leading branch that determines the economies of the majority of kolkhozes and sovkhozes in Siberia and the Far East, in general.

Those who work directly on farms and in complexes are called upon first and foremost to utilize these possibilities. Here a great deal depends on how the labor of livestock farmers is organized and on what conditions have been created for their leisure. Many of the best examples confirm that the fattening and intensive raising of cattle is quite effective when collective, family and so-called "start-to-finish" contracts are utilized. For 10 years now the indexes of the link fattening cattle headed by N. F. Filatov have differed strikingly not only from all-union indexes but also from those of all of Shushenskiy Rayon of Krasnoyarsk Kray. Whereas in the rayon on the average 1 year ago each worker generated 15,500 rubles of agricultural products, in Filatov's link each worker generated 154,300 rubles. At the fattening platform of the third department of Subbotinskiy Sovkhoz, where over 1,000 young bulls are maintained, only two persons are employed—the Filatovs, father and son. They procure green mass, bring it in from the fields and take care of the animals by themselves. While doing this they achieve weight gains that are unheard of in this region. During the summer months, for example, average daily weight gain in the group that is in the final phase of fattening equals 1,250-1,300 grams.

Contracts increase the responsibility of people, their work does not require special monitoring and daily weight gains are much higher in contract links than in others. As a rule the reasons for success here do not have to do with a special technology but above all with a precise organization of labor and with the attitude toward work. And still the editors receive a considerable number of distressing signals when the new form of labor relations does not succeed. What is the reason for this? In our opinion, the main reason is that contract agreements are often not adhered to. This is what happened in Khorskiy Sovkhoz of Khabarovsk Kray, for example, when the administration offered families which had decided to take young bulls for fattening an unjustified and hastily-composed contract. In it reimbursement was not related to the end product but was reduced only to average daily weight gain. In this way the enterprise discredited the very idea of the contract.

That which has been accomplished to fulfill the Govyadina Program is only the first step on the path toward perestroika. Now it is important to solidly secure the positive tendencies in the intensification of the branch, in breeding and in securing the feed base, to eliminate the fall one after another of productivity indexes on farms and to create all of the conditions for highly

effective labor for livestock farmers. Only with this type of approach will it be possible to replenish meat resources and to fulfill the indicated program.

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### Protein Program in North Caucasus, Central Chernozem Discussed

18240087a Krasnodar SELSKIYE ZORI in Russian  
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[Lead article: "Protein Program"]

[Text] Approximately 2 years ago, the RSFSR Council of Ministers, after having examined the recommendations of oblasts, krays and autonomous republics of the Russian Federation, approved the "Protein" Program. It was expected that its implementation would improve noticeably the situation with regard to meat and milk production and strengthen the kolkhoz and sovkhoz economies. The computations were simple: a protein-balanced ration for livestock can add a minimum of 60 kilograms of milk and 4 kilograms of meat to per capita consumption

Were the agroproms [agro-industrial committees] in our zones successful in concentrating their efforts on the introduction of this vast program, the details of which were adjusted for effectiveness based upon the repeated experience of leading collectives?

We will be both frank and self-critical: almost no changes were noted out on the forage fields during these years. There were no increases in the yields of peas, soybeans, rape or perennial leguminous grasses. Even worse was the fact that an increase was noted in the protein deficit per feed unit. Why? What were the reasons for this breakdown? Indifference, lack of responsibility and sluggishness on the part of those who both "above" and "below" were responsible for solving the protein problem—such was the evaluation provided to the leaders and specialists of agro-industrial committees RAPO's [rayon agro-industrial associations] and farms during a meeting of Gosagroprom [State Agro-industrial Committee] of the Russian Federation. Many agronomists, referring to the unsuitable weather and their own lack of desire concern themselves seriously with the production of pulse crops, cast the blame not so much upon the labor-intensiveness of these crops but rather upon their lowered productivity compared to cereal grain crops. And it never occurred to them that the desire to achieve quantity often leads to a reduction in the quality of the feed, since a hectare of barley, for example, furnishes only half the amount of digestible protein provided by pulse crops. This is just one example.

In Kursk Oblast, pulse crops are grown on only 2.4 percent of the arable land. During the years of the 11th Five-Year Plan, the cropping power of barley amounted to an average of 17 quintals and peas—12. But 70 percent more digestible protein was obtained from a hectare of peas than from the same area sown in barley. It turns out that in order to obtain the same amount of protein, the per hectare yield of barley must be raised to 29 quintals. It would obviously be more beneficial and economical to place it in storage at the expense of peas. This is precisely what the Kursk farms planned to do during the current five-year plan. But despite their original intentions and computations, they rejected the planned 10 percent proportion of pulse crops on the arable land and they decided to lower by one half even the sowings of peas and to grow this crop on not more than 65,000 hectares this year. In like manner, the areas used for perennial leguminous grasses throughout the oblast have on more than one occasion been studies with an eye towards reducing their size. Last year, these grasses were grown on only 136,000 hectares instead of the 200,000 hectares planned earlier. And indeed this was just a repetition of an earlier attitude: to plan and to actually change nothing. Moreover, it bears mentioning that the Kursk workers associate their "reduced" hopes with the importing of seed from other oblasts. Although it is difficult to believe that any Kursk kolkhoz or sovkhoz is incapable of growing its own seed on dozens of hectares. It is our opinion that this is fully possible if sectors for the cultivation of pulse crops and perennial grasses are selected on the farms and turned over on a lease basis to families and small contractual collectives. And the problem will be solved with a year or two.

A deterioration in seed production is the chief cause of a reduction in perennial leguminous grass sowings not only in Kursk Oblast but also on a majority of farms in both zones. Over a period of 2 years, the kolkhozes and sovkhozes in Krasnodar Kray fulfilled their task for the production of alfalfa seed by only 71 percent and for shipments beyond the borders of the Kuban region—by 37 percent. The Rostov Oblast agroprom program for harvesting alfalfa seed was realized by only 29 percent. Farmers in the Don region shipped only 250 tons to the state. The kolkhozes and sovkhozes in the Kabardino-Balkarskaya ASSR failed to cope with their tasks for grass seed production. The Checheno-Ingushskaya ASSR Gosagroprom was unable to keep pace with the chief supplier of alfalfa seed for farms in the RSFSR, despite the fact that 2,200 tons were obtained here last year—one half of the total amount procured throughout all of Russia.

The lack of ability and helplessness typical of many farms can be countered by the expertise of those who have been introduced to new approaches for carrying out the "Protein" Program by restructuring. At the Yeysk Kolkhoz imeni Lenin (chairman A.L. Sinchilo), which is in the Kuban region, 5 quintals of alfalfa seed are being obtained from each of 700 hectares of non-irrigated land, while 12 quintals are being obtained from a sector of almost 70 hectares. At the Checheno-Ingush Naurskiy

Sovkhoz, a team headed by P.N. Vedeneyev, which includes four machine operators, obtained an average of 4.6 quintals of high quality alfalfa seed from 70 hectares and last year—3.7 quintals per hectare. And indeed this team's seed production experience amounts to only 2 seasons. Many are asking how they were able to do this. Beyond any doubt, the high yield involved considerable difficulties and problems and yet others can realize the same results if the work is handled in an intelligent and persistent manner and all elements of the technology are employed. Unfortunately, not everybody who works in seed production is concerned over the fate of the crop or has mastered innovative methods. Here we have in mind an elementary factor—pollination of the leguminous grasses. But do you recall the lesson drawn from the numerous trips made by farm representatives to this same Kolkhoz imeni Lenin in Yeysk? Yes, almost nobody recalls this. Look, opinions are being exchanged and a tick is being inserted in the report column on familiarity with leading experience, with the truism concerning the value of seed, protein and forage crops generally having been buried in oblivion.

It is recalled that alfalfa grown using the intensive multiple-cutting technology on irrigated land furnishes 400-600 quintals of fodder per hectare annually, in which there is not less than 1.3-1.6 tons of protein. From this raw material, excluding hay and granules, it is possible to obtain a protein concentrate—juice and pulp residue, with a valuable protein-vitamin paste being obtained from the juice. Nor is this the first year that high results have been achieved on farms in Belgorod Oblast. Still another facility can be cited where mechanized lines are being employed for the preparation of paste. This is the Batayskiy Fattening Sovkhoz in Rostov Oblast. Every hour the line produces 10 tons of feed, the dry substance of which contains 35 percent protein and in a kilogram—265 milligrams of carotene. Two kilograms of protein concentrate are being obtained from 100 kilograms of fodder. It is added to the ration for hogs and poultry and the pulp residue, after being separated from the protein, can be used for ruminant animals. The feeding of up to one kilogram of paste daily to young pigs for fattening purposes raised their daily weight increase to 670 grams and it lowered the production cost for a quintal of weight increase to 51.46 rubles—by 8.16 rubles. Following the example set by the Batayskiy workers, powerful mechanized lines for the preparation of paste are being installed at the Rostov Zavety Iliche Kolkhoz and at other farms.

Special space is set aside in the "Protein" Program for rape and soybeans. We recall how energetically the Lipetsk farmers applied themselves to introducing rape out on their fields. Here, over a period of 5 years, the sowing areas were expanded by a factor of almost 14 and the oblast became a large scale seed production base for many kolkhozes and sovkhozes and not just in the central chernozem zone. And although the productivity of the rape seed fluctuates by years and varies among farms, the persistence and capability displayed by the Lipetsk workers as they continue to improve their technology and seed production for this valuable crop pro-



vide a firm basis for hoping that the oblast will retain the title of school for leading experience. This is particularly true in view of the fact that the scientific-production system of the same name, which is converting over to a self-support and self-financing basis, has been connected up to the "Rape" Program. Last year alone, 44 farms belonging to the NPS [scientific-production system] harvested 14,200 tons of high quality seed. They are sowing rape on more than 9,000 hectares and this represents 90 percent of all sowings of this crop.

The kolkhozes and sovkhoses in Lipetsk Oblast have reached the level set forth in the "Protein" Program for the cultivation of pulse crops. They and the Belgorod farms increased noticeably the production of protein and they raised the quality of the feed and thus the productivity of the public herd. It is sufficient to refer to such figures. Last year the number of cattle on the Belgorod farms showed almost no increase compared to 1985. But as a result of an improvement in the weight gains and an increase of 50 kilograms in the weight conditions of the animals, the delivery weight here for one head was raised to 420 kilograms, beef productivity was raised 30 percent over a period of 2 years, its production cost was lowered by 7 percent and labor expenditures—lowered by 9 percent. Seventeen large-scale fattening farms engaged in raising and fattening young stock using a single technological cycle are producing 70 percent of the beef. Roughly 131 kilograms of meat were obtained per animal, compared to only 95-110 kilograms in the neighboring Kursk and Tambov oblasts. And the dairy productivity in these oblasts was the lowest: 2,335 and 2,449 kilograms per cow, or 256 and 142 kilograms less than the average for the zone.

With regard to rape production in other oblasts, it must be confessed that it is being cultivated with caution and in the absence of special interest. Quite often the seed sowings are converted over to fodder sowings and protection of the plants against pests is poorly organized. As a result, up to one half of the crop is being lost.

As a high protein crop, soybeans is by no means new to the North Caucasus region. But only a few farms appreciate its worth. Unfortunately, owing to a lack of action and indifference on the part of specialists, full use has not been made in this regard of the many years of rich experience accumulated at the Ladozhkiy Sovkhoz in the Kuban region, where up to 25 quintals of soybean seed are being obtained annually per hectare from non-irrigated land and from an area in excess of 500 hectares. Both the Kuban workers and their regional neighbors are to be reproached in this regard: on the whole, they have nothing to boast about.

There can be no doubt but that the attitudes towards other pulse and oil-bearing crops should also be examined—clover, sainfoin, vetch, fodder beans, sunflowers, wild cabbage, Chinese radishes, lentils and maple peas. The production of seed for chick peas must be restored in Rostov Oblast and Stavropol Kray and the experience

accumulated on farms of the Kirovskiy RAPO in Stavropol Kray in the cultivation of multiple-component mixtures must be adopted more completely and more rapidly. A feed unit of such mixtures contains not less than 120-130 grams of digestible protein.

On the eve of the forage crop sowing work and not too long after the "green" harvest of these crops, special attention must be given to the problem of storehouses and lines for the processing of the raw materials. It is no secret that up until now the mass of meetings, decisions and "specific" measures have been concealing the practical work concerned with the installation of trenches, towers and covered storehouses for hay. Compared to last year when the Voronezh farms were successful in this regard, having built five times more hay storehouses than actually planned, the installation of such facilities in Kursk Oblast and Stavropol Kray continues to be unsatisfactory just as in the past. And if there are not enough reliable storehouses, there will not be sufficient amounts of full-value feed.

A priority trend in the "Protein" Program continues to be that of increasing production and improving the quality of the plant feed on haying lands and pastures, mainly through growth in cropping power, which unfortunately still remains low, especially in the autonomous republics of the North Caucasus. But there will be a special discussion on this subject and also on the role and place of scientists and machine builders in implementing the program. Suffice it to say that the cost of studies carried out within the branch by many NII's [scientific-research institutes] and experimental stations was not worth the price and that the deliveries by industry of feed procurement equipment did more to create and intensify difficulties than they did to solve the existing problems. The KSK-100 alone was worthless because of its inability to cut down grasses and its unreliability.

As you can see, the "Protein" Program represents a vast front of work for everyone—from an agroprom to a brigade or a kolkhoz or sovkhos team. The specialists and leaders of all ranks and all subunits must organize the efforts of the feed procurement specialists in an efficient manner so that in the years to come this old problem will be removed—eliminate the feed deficit and on this basis raise the production of farm products and satisfy more completely the population's requirements for meat and milk. A chief concern—close the gap between word and action, reject parasitism both large and small, carry out a search for reserves and obviously on an economic basis and while ensuring self-support and self-financing for each farm and each subunit. There should be greater competence and specific support for the best experience, expenses should be taken into account more thoroughly and more complete use should be made of the anti-expenditure mechanism. In other words, all possible means should be employed for ensuring that each individual occupies his proper place in the restructuring program.

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## BUILDING MATERIALS

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**Cement Industry 1987 Performance, Problems**  
*18210011 Leningrad TSEMENT in Russian No 4*  
*Apr 88 pp 2-3, 10*

[Article by V. Ye. Avdeyev, chief of Glavtsement (Main Administration for the Cement Industry) and member of the USSR Minstroyaterialov (Ministry of Construction Materials Industry) Collegium: "A Year of Great Changes in the Industry"]

[Text] The anniversary year, which has passed, brought our country to new frontiers in regard to both a comprehension of the path traveled and an understanding of the historical necessity for the current, truly revolutionary transformations.

Today, as never before, we are recognizing sharply that a successful movement forward is impossible without uncovering socialism's whole potential, without a persistent, consecutive and purposeful implementation of the perestroika strategy.

This conclusion is being convincingly confirmed by the work results of the cement industry for 1987 and for the first two years of the 12th Five-Year Plan.

In 1987, the ministry as a whole produced 1.1 million tons of cement above the plan, 0.9 million tons of it at Glavtsement enterprises and, respectively, 1.6 and 1.3 million tons above the plan during the plans's first two years.

Cement production increased by 6.5 million tons over 1985, which is 30 percent more than the increase during the entire 11th Five-Year Plan.

The main administration's enterprises concluded 1987 by exceeding plan tasks by more than 400,000 tons of clinker, by more than 24.2 million rubles in output sales volume, and by above-plan profit.

The 1987 plan for housing construction has been surpassed by 5,100 m<sup>2</sup>, the plan for the first two years of the five-year plan by 13,000 m<sup>2</sup>.

The construction of new capacity for producing 1.150 million tons of cement and 280,000 tons of clinker at, respectively, Nevyansk and Bezmeim has been completed and the capacity put into operation.

The main administration successfully met the goals for saving fuel and electricity, basically fulfilled the plan for developing science and technology, and expanded more than was prescribed the production of high-strength cements, using superplasticizers, and cement made by the dry method.

Victors in the widely promoted socialist competition in honor of the 70th Anniversary of the Great October Socialist Revolution were the collectives of the Akmyantsementas, Voskresensksement and Mikhaylovtssement cement associations, the Podgorenskiy, Lipetsk, Karachayevo-Cherkesskiy, Magnitogorsk, Topki and Teplozersk cement plants, and many others. It was their contributions to successful completion of the second year of the five-year plan that were the greatest.

The positive results of the industry's operations speak persuasively in favor of the selected course for acceleration and restructuring.

However, it would incorrect to overestimate what has been done. It is too early to speak yet of a breakthrough in the cement industry's economics. Cement-industry workers obviously will experience unsatisfactory results of their work until their chief problem—full satisfaction of the national economy's requirements for cement—is solved.

A severe cement shortage has taken shape in the country. It is in short supply at construction projects—they have not been supplied enough of it primarily for operational-repair needs. Under these circumstances, the collectives of the nine enterprises of the branch that did not fulfill the 1987 cement-production plan and fell short by 550,000 tons in deliveries of their product to the country should be subjected to sharp criticism.

Some of the other enterprises were at their 1986 level, but their personnel had turned over by half. This indicates that the work of these collectives' enterprises in 1987 is reminiscent of moving about a swamp—pull out one foot and the other gets stuck.

The main administration has been reconciled for too long to weak supervision of Bryansksement PO (Production Association) in the person of its former general director, G. G. Deyneka, where incomplete outfitting of a newly introduced production line with rock-transporting equipment was permitted.

As a result of measures taken at the end of 1987, the association's work has been stabilized and overfulfillment of its plan has started. However, the association has not been able to make up for the lag that was permitted previously.

Almost a third of the shortfall of cement sent to the builders is on the conscience of the management of the Kaspi Cement Plant (the director is A. V. Shakulashvili) and of Georgian SSR Minstroyaterialov (the deputy minister is G. V. Maparashvili), the collective of which fell short by 111,000 tons of cement in 1986 and 172,000 tons in 1987 in cement deliveries.

A low level in organizing production, an extremely unsatisfactory technical state of the equipment, constructional structure and crane tracks, and poor operating discipline are reflected at this plant.

Glavtsement, jointly with the republic's Minstroyaterialov, has planned fundamental measures for making the enterprise healthy: the rebuilding of kilns Nos 3 and 4 has started, a new production line is being built, and outdated and worn kilns Nos 1 and 2 will be taken out of operation. When these steps have been taken, all the prerequisites will exist for counting on stable operation of the enterprise, provided that the organizing basis for production is reinforced.

Collectives of the Shchurovskiy (the director is Yu. M. Nedoroslev), Nizhnyy Tagil (A. V. Golovachev), Kramatorsk (P. F. Lyashenko) and Riga (A. P. Patetko) plants, as well as the Production Association Karagandatsement (the general director is A. G. Kosoy) worked extremely unsatisfactorily in 1987.

Each of these enterprises has its own unresolved problems and its difficulties, but they do have common features—a low level of production organization, inadequate responsibility, and the supervisors' lack of skills in working with people.

What do we see as our tasks for 1988? We clearly recognize that this will be a year of further major changes, and we proceed from the fact that, in the national economy as a whole, including the cement industry, the first stage of restructuring of the economy has been basically completed.

The year 1988 is the start of the second stage of practical actions for realization of an updating program. Everything will now depend upon our capability for supporting successful implementation of the solutions that have been worked out and upon our skill in working under the provisions of the USSR Law on the State Enterprise (or Association).

In order to envision correctly this year's tasks, an earnest analysis of last year's results is needed; this will testify to positive advances: the branch's operation has become more stable.

Why did these advances become possible? Because a process of renewal has started in the country that is proceeding along two mutually related directions: economic reform and society's democratization.

The first direction has given us more stable supplying of materials and equipment and more rational production planning.

An interesting fact. Beginning with 1987, we stopped detailed planning for increased output quality and dispensed with planning for the average grade and proportion of cement of 500-grade and higher. There were

doubts: will this not lead to a reduction in output quality? What turned out to be the case? An acceleration in the rate of increase in quality occurred: the average activeness of binder at Glavtsement enterprises rose by 0.13 MPa, and the output of high-grade cement increased by 500,000 tons, BTTs [high early strength cement] by 600,000 tons, and sulfate-resistant cement by 1.7 million tons. This indicates that economic levers have begun to operate more effectively. For instance, the dissemination of incentive terms which worked for counterplans that are based on the whole prescribed above-plan task has enabled additional payments of about 2 million rubles into the wage fund, about 700,000 rubles into the material incentive fund, and more than 300,000 rubles into the social, cultural and domestic-amenities fund, and also there is the fact that perhaps, the main thing, it has permitted more than 60,000 tons of cement to remain at the disposal of the plants.

More intense work has started on the modernization and replacement of obsolete equipment and the elimination of production bottlenecks. Thus, during the first two years of the 12th Five-Year Plan, 17 kilning units were rebuilt, with change in configuration, and 49 raw-material and cement mills, 38 electrical filters, 28 crushers, and so on were replaced completely by more modern and productive ones.

The second direction—the democratization of society—has created a creative atmosphere in collectives, raised responsibility for the results of work, and reinforced the managerial link. Thus, in 1987 councils of worker collectives were elected at 38 of the main administration's enterprises, and directors were elected at 15.

It follows from the examples cited that a necessary condition for successful operation in 1988 is an expansion and intensification of economic reform, the essence of which consists in each person feeling that he himself is a proprietor of his enterprise and responsible for the overall job, not a guest and not a dependent in his own home.

The first stage of restructuring within the industry was completed by the USSR Council of Ministers' adoption of the decree, "Measures for the Further Development and Provisioning for Stable Operation of the Cement Industry" (of 24 September 1987).

Preparatory work on conversion to the new management system—full economic accountability and self-finance—has ended. A program for developing our industry, "Tsement-90," has been adopted for the period up to 1995. During this period, 54 existing enterprises are to be rebuilt or expanded, 9 new plants are to be built, new quarries are to be rebuilt or opened up at 22 enterprises, new capacity for producing commodity clinker is to be created at 17 enterprises, packaging divisions are to be constructed or rebuilt at 19 plants, and new capacity for



producing dolomitic refractories and krents, for repairing quarrying and automotive transport equipment, and for producing aspirated and gas and dust trapping equipment, and so on are to be put into operation.

Prior to 1995 capacity for producing 62.2 million tons of cement should be put into operation, and obsolete capacity for producing 23 million tons that is subject to rebuilding should be retired. In other words, the capacity existing today (134.5 million tons) should be updated 63 percent. Thus, the degree of wear of fixed capital of the industry will be reduced to 25 percent by 1995.

The most important principle of this decree is that cement production volume for 1988-1990 should exceed considerably the goals of the five-year plan: by 2.1 million tons in 1988, by 3.0 million in 1989, and by 5.6 million tons in 1990.

Solution of the problem of bringing capacity up to the level of the design indicators was considered during formulation of the five-year plan. So the increase in production volume called for by the decree can be achieved through three basic factors:

- 1) intensification of production by rebuilding rotary kilns and replacement of the obsolete pool of mills by more modern and highly productive ones;
- 2) expansion of the output of slag portland cement and cement for construction mortars; and
- 3) introduction into operation of new capacity not called for by the five year-plan.

However, the initiative and enterprisingness of working collectives, introduction of the achievements of scientific and technical progress, and the use of hidden production reserves will be of determining significance.

I will cite just one example to confirm this thought. A creative collective of specialists of the Razdan Cement Plant, under S. A. Avetisyan and Yu. A. Burlov and in collaboration with NIIsement [State All-Union Scientific-Research Institute of the Cement Industry], developed in a short time and manufactured and introduced on a 5x185 meter kiln an automated installation for burning worn tires with metal cords.

The results of tests conducted at this kiln by a USSR Ministry of Materials commission indicated that the benefit from burning tires is manifested not only in fuel savings but also in an increase in the unit's productivity by about three tons/hour, by intensifying the processes in the raw-materials decarbonization zone into which the tires are fed.

Another important principle of the decree is that it calls for precise tasks by Minstroydormash [Ministry of Construction, Road and Municipal Machine Building] and other ministries for the manufacture and shipment of

highly productive and completely outfitted equipment, instruments, and automation equipment to the industry in amounts that will provide for radically rebuilding and reequipping it in the period up to 1995.

In 1988-1990 the branch should be sent 12 outfitted industrial lines for producing cement by the dry method, and during the 13th Five-Year Plan their number should be tripled, these lines to include such modern equipment as roller mills, raw-materials blenders, and complexes that proportion by weight, based on microprocessors, that were not previously produced by domestic industry. Moreover, a substantial number of complete sets of equipment will be sent to cement plants for converting production lines from the wet to the dry method.

A major complex of preparatory operations has been carried out for converting to full economic accountability and self-financing. Together with determination of the engineering program, organizational and methodological measures and personnel training have been accomplished, and economic standards and ceilings have been developed and refined. The work experience of the Topki Cement Plant collective, based on full economic accountability and self-financing, has been studied. The rate of growth of output produced at this enterprise in one year increased 2.8-fold, labor productivity 2.4-fold. Cement production was 65,000 tons above the 1987 plan, 310,000 rubles of above-plan profit were obtained, and 641 tons of standard fuel equivalent, 151,000 kWh of electricity and 165 gigacalories of heat energy above the plan were saved. Housing construction grew substantially, and cultural and domestic-services were improved above the prescribed goal.

The fact that we were able to protect the enterprises from unjustified discounts from wholesale prices in the amount of 30 million rubles (in economic accountability for 1988-1989) can be ascribed to organizational measures for preparing for conversion to full economic accountability.

The goals set for the cementmakers for 1988 are not easy.

In the first place, because of delay in the construction of new industrial lines at the Nev'yansk, Kaspi, Ararat and Navoiy plants, and because of other factors, an extraordinarily high utilization coefficient has been planned for production capacity—96 percent. Work on this level of intensity requires a high state of organization, strict discipline, and great self-sacrifice by everyone—from blue-collar workers to director, which, unfortunately, do not exist everywhere.

Second, the economic situation in 1988 is extraordinarily complicated and contradictory. On the one hand, full economic accountability requires wide use of managerial maneuvering, and, on the other, a substantial portion of our economic levers is "wedged in" strictly by regulated resources and the 100-percent state order system.

Third, in 1988 the main administration's enterprises received standards under which there remain at their disposal only 50 percent of the amortization deductions for full restoration and 26.3 percent of the profit.

Under such standards, the financing of 40 million rubles' worth of noncentralized capital investment for planned reequipping, for the acquisition of equipment that does not require installation, and for design work is not provided for. So in 1988 the share of amortization deductions that remains at the disposal of our enterprises must be increased to 80 percent or the standard for profit that so remains to 36 percent.

In this connection, because of inadequate funds, development of the enterprises will be slowed. For the task of self-financing is not only that of covering in-house expenditures but also of providing for expanded reproduction, basically by reinvestment of the amortization deductions. It is natural that, where they do not suffice, the wear on capital assets will grow.

It is also necessary that all the cement produced above annual plans and above the amounts of centrally distributed output remain at the disposal of the laboring collectives.

A most important task for 1988 is the fulfillment of survey and design work for the rebuilding and construction of cement enterprises, the volume of which is growing sharply because of the established tasks for introducing new capacity into operation. The reinforcement of design institutes, the conversion to maximum possible utilization of canned solutions, and increase in the work done by subcontracting organizations will promote successful solution of this task. In accordance with

a USSR Gosstroy decision, our institutes will be granted the right to do the working design for facilities with the one-time development of feasibility studies, and also to issue working drawings prior to confirmation by the TEO [feasibility study].

Concern about people, about improving the working and living conditions of and recreation for cementmakers, should be the center of all activity of supervisors of the industry's enterprises and of councils of working collectives. They merit this concern in special measure, since cement production is not one of the easy jobs: there are high dustiness and noise levels, hot working conditions in the roasting departments, and three-shift operation.

Therefore, those living conditions and domestic services that will allow one to relieve fatigue quickly and to regain strength for further work, as well as to become fully rested at home, should be created.

There can be only one criterion for evaluating the activity of any collective or any supervisor—actual changes for the better and successful fulfillment of contractual commitments, that is, perceptible results in the economic, production and social spheres.

The complicated tasks that face the cement industry today and the second stage of perestroika requires of each collective and of each supervisor a highly responsible attitude toward the job.

The big tasks are within our capabilities, but the path to them is the route of stubborn struggle, sober calculations and bold decisions.

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## POLICY, ORGANIZATION

### Concern Over Future Price Hikes Addressed

18270058 Moscow LITERATURNAYA GAZETA in Russian 6 Apr 88 p 11

[Article under the "Strong Feelings About Prices" rubric by Izabella Solovyeva: "Let's Peek Inside Some Purses and Bags"; excerpts from three letters follow under subhead entitled "Opinions"]

[Text] Substantial, ranking economists have informed us that the state pays three rubles for every kilogram of meat sold to the population. It costs the state a lot, and so we too must shell out quite a lot of our own money. According to certain articles, price hikes on food are beneficial for everybody—profitable for the economy and for the population. But here is what troubles me: in 1974 we used to pay only half as much for meat as we do now. Since that time billions and billions of rubles have been invested in agriculture, and the "return" is evident, as we can see. In 1985, 23.4 billion rubles were spent on wages at kolkhozes, whereas 30 billion were spent on feeds and seeds. However, figures in and by themselves do not tell us much; they begin to be meaningful in comparisons and justifications. Thus, for example, outlays on housing construction throughout our country that year equalled 28.1 billion rubles, while the amount spent for feeds at kolkhozes alone, I repeat, was 30 billion. Here is another comparison: in 1985 outlays for feeds at kolkhozes and sovkhoses were more than the expenditures for education, free medical aid, sanatorium and health-resort services, and physical education taken together!

Now we hear so frequently on television complaints by sovkhos directors and kolkhoz chairmen about exorbitantly inflated prices on mixed feeds. Can you imagine that maintaining a cow is almost as expensive as maintaining a person on a pension?!

Such are the paradoxes of prices. And now they say that "in the interests of normalization" we will have to pay for a kilogram of meat, let's say, about six rubles, whereas kolkhozes and sovkhoses will begin to purchase feeds for exorbitant amounts of money. So who wins? They point out that the state and all of us do. But would it not be simpler to reduce prices on feeds?

I have a neighbor in my apartment house named Anna Ivanovna—a dear old lady living on a pension. She rejoiced when she found out about the proposed pay hikes: "People have too much money. I heard that there is as much as 250 billion in savings accounts!"—"But, you know, meat will be more expensive!"—"But it's not good for me now." When Anna Ivanovna speaks about these sums, her face glows in spots with indignation. Large figures exert a magical effect on her. When she reads in the newspaper: a million rubles, she immediately imagines what a million would mean for her personally: how much she could buy with all that money!

You yourself can understand the dimensions of Anna Ivanovna's pocket.... But here we are dealing with 250 billion! It's mind-boggling....

Let's take a realistic look at these deposits, regardless of their distribution. The advocates of price hikes evidently have calculated that the money put aside in their savings accounts—such an enormous amount of it!—would be spent by the population, possibly, on buying meat or at least on cooperative housing. Then such money would be "cleared" and pumped into the national economy's circulation. But allow me to ask: Are these funds even now just lying around in savings accounts like so much dead weight? On the contrary, they have long been utilized! They, in fact, constitute a unique kind of loan from the population: so we were told many years ago. I assume that these "reserve" monetary funds will not go to purchase either food or clothing, or even housing because those persons who have large deposits, as a rule, already have housing. And young persons, who need fashionable clothing, radio sets, motorcycles, and cars, have virtually no, or else insufficient, savings accounts.

I look at my own friends: schoolteachers, physicians, engineers.... They live from paycheck to paycheck. According to the sociologists' data, 8.8 percent of the country's population cannot stretch their wages from payday to payday; for 24.2 percent of the population wages are enough for only the most necessary expenditures. In short, the presence of deposits in savings accounts certainly does not attest to the abundance of money in people's possession. To be sure, there is an opposite point of view, but the economists who defend it, nevertheless, emphasize that honest working people must be accorded the possibility of earning extra income—by means of individual and cooperative activities. But if there really is so much money, why then do they need extra earnings, to be made after their regular work days and on their days off? Other authors write with emotional trembling about the sums lying around in savings account, but they are careful not to compare them with savings in other countries. But why not compare them? Perhaps we could clear some things up.

I would venture to remind the reader that the average American small investor has most of his savings in shares of stocks. Our population accumulates its money to purchase durable goods. In the western countries, as you know, such goods are bought on credit. Therefore, in order to compare savings, we obviously must also factor in the credit installment payments. In our country this sum is rather small, but in the United States it is enormous. As a result, it turns out that monetary savings (plus purchases on credit, plus outlays on housing construction by means of private funds) in the United States are many times more than they are in our country. And in Japan the population's monetary savings alone (and the population there is only slightly more than half of ours) amounts to 1 billion dollars a day, as the weekly journal ZARUBEZHOM informs its readers. And this does not include the entrepreneurial sector.



In the PRC [People's Republic of China] the population by means of its own savings builds more than 500 million square meters of housing space annually (not counting state construction), as compared with slightly more than 20 million square meters in our country. Moreover, during the six years of reform, from 1978 through 1984, the sum-total of deposits in Chinese savings accounts increased six-fold. The sale of durable goods in the PRC (not counting passenger automobiles) in absolute terms already achieved a higher level than ours several years ago.

In toto, taking all this into account, let's agree to the following: the possibilities for "accumulation" are not great in our country. Calculated on a per capita basis, they are only one-fourth those in many capitalist countries, and on the basis of absolute magnitude, they are less than those in China. But let's return to matters in my own apartment house. Let's look at what the annual statistics have to say about our commodity outlays: 55 percent goes for purchasing food, 29 percent—for clothing and footwear, and 16 percent for other miscellaneous items, such as furniture, refrigerators, pots and pans, television sets, building materials, fuel, and the like. Just how much would we spend on food products after the price hikes? Obviously, it would be markedly more than 60 percent, and for a family with two or three children it would be 70-80 percent. There would be families for whom clothing and footwear would become quite inaccessible.

All the talk about the abundance of money among the population breaks down when it comes up against the following simple fact: the average number of persons in an urban family (not counting single persons!) amounts to 3.3. And so a family living on its income can allow itself to maintain...one child.

The economists R. Grinberg and A. Rubinshteyn correctly wrote in LITERATURNAYA GAZETA (No 33, 1987) that an increment (again an increment!) compensating for the price hikes, if it were introduced, would be spent by certain categories of people not on food but on clothes. This can be stated ahead of time for those who will bear children, i.e., young girls who want to dress well, who *have to* dress well. Can you really imagine at the age of 20 how your child's future will be affected by your deprivation of proteins or vitamins?

But what are we talking about? After all, we have already been accumulating experience in combatting shortages by means of price hikes for a quarter of a century. Academician O. Bogomolov has written that since the late 1950's prices on consumer goods have more than doubled (LITERATURNAYA GAZETA, No 38, 1987). But the shortage, as you know, merely became worse. Price hikes comprise a kind of "paper struggle," an "increase of the commodity mass" solely in statistical figures. And why will this meat cost six rubles and not sixteen? In my opinion, sixteen would be much more profitable for the national economy. And the fact that

the present-day urban family is capable of supporting only one child is, of course, a matter of no concern to the economists; there will be enough people for 10 years!

I have already cited data from the reference sources concerning our expenditures on consumer goods: 55 percent on food, 29 percent on clothing and footwear, 16 percent on miscellaneous items. "Miscellaneous" comprises what is produced for us purchasers by the machine-building, chemical, and other sectors of heavy industry. And now, for the sake of comparison, let's say that Americans also spent most of the contents of the family purse specifically on these items. Americans eat as well as we do. I will not undertake to judge whether their food is cheap or expensive. But what we are compelled to spend on food, the Americans spend on so-called durable goods—motor vehicles, electric household appliances and tools, and the like. And so you decide whether food is cheap in our country for you and me....

People say that food prices must be raised because on the open market they are 2.5 times higher, and this leads to profiteering, and we must combat this. But if state prices were to be twice as high, then the open market prices, I am convinced, would quickly be double that. And then profiteering would show what it is capable of, and working people would begin to flee from plants and factories in order to find ways to provide for themselves in small-scale farming and trade. Already now in those regions where the population lives predominantly "from the market" a lack of desire to engage in industrial work has been observed.

People say that retail prices on food products and other items must be raised in order to stimulate production. I would believe this too if I did not know that producers sell goods not at retail but at wholesale and requisition-purchase prices. Of what value then is the argument of the Goskomtsen [State Committee on Prices], which assures us that it is impossible to normalize the monetary solution without raising retail prices...?

It is a well-known fact that during the period from 1971 through 1985 retail-goods turnover increased by approximately 11-12 billion rubles annually. And 6 billion of this increase was provided by means of price hikes.

All this was during the times of stagnation. Why do we want to travel that road again?

Even in economic works published as long ago as the period of the bogged-down reform of the 1960's I had occasion to read about the unsuitability of our price-formation model—high prices on consumer goods and low prices on objects of investment (machine tools, machinery, and technical equipment). At the end of the 1950's the gap was already double, and it has widened since that time. It is precisely this which is the primary difference between our price system and that of the world in general. While touring abroad, Anna Ivanovna compared how much slippers cost there and how much in our country—how much a skein of mohair cost there and how much here. But economists know (although I am beginning to have my doubts as to whether they have

forgotten this) that by raising prices on food and, as certain economists propose, lowering them still further on investment items, we are not drawing closer to the world price system but rather drawing vastly further away from it. From this distance a convertible ruble cannot be seen at all. You must agree that the proposals of certain scholars who wish to draw closer to the world price system by the method of drawing farther away from it are strange.

Is it not troubling that, with the exorbitant and unjustified outlays on agricultural production, a considerable portion of the money which we will be paying to the state tomorrow—in case the price hikes go into effect—on the day after tomorrow, when kolkhozes and sovkhozes obtain their independence, will pass into their hands and be lost to the financial system? And will we raise prices again?

Wide renown is enjoyed in our country by a certain Soviet economist whose greatest fear is that people will eat too much, and who would solve this problem as follows: Pay attention to petty matters and disregard major items. I fear that some people are itching to inherit Plushkin's laurels.

#### Opinions

The proposals to raise retail prices without searching for ways to reduce real and imaginary outlays on agricultural production obviously constitute a dead-end road, one which will hardly lead to an increase in the amount of food products.

A. Valpeter

Riga

...

I read with great apprehension about possible price hikes on food products. But how are we ITR [engineers and technicians] to live? My husband and I have higher educations, and we have worked hard all our lives. But we were never well-off and are not now. We can hardly make ends meet. Any purchases (footwear, clothing), summer vacations (very modest ones because, of course, after them you have to stretch things out until the first payday after the vacation) force us to economize and tighten our belts. We have no savings, no dacha, and no car. And we are not the only ones who live this way; so do all our fellow staff members except the bosses. We have two children, now grown—the boy is a college student, and the girl is a senior in high school. In order to dress them somehow, we have to make do in various ways, economize, knit, and sew.

If prices go up, it would be a catastrophe. After meat and butter there would be price hikes in the open market. And after the marketplace price hikes, services would cost more. And so on and so forth. I have no grounds to trust Goskomisen. I remember a time when meat cost 1 ruble, 20 kopecks. Then it rose temporarily. When they say that prices will be raised on food products but

lowered on industrial goods, these are just promises. As I understand it, prices will be hiked on food products but will not be reduced on industrial items. Actually there will be some reductions, but only on items which nobody needs even at reduced prices. All of us discuss these matters at work, and we are afraid of the impending changes.

Petrova

...

In the periodical press a number of writers, defending the need to raise prices, as one of their arguments compare prices in the United States with those in our country. They cite the following comparative prices, for example, 6-10 dollars per kg [kilogram] of meat in the United States, and 2 rubles per kg in the USSR. I would like to ask the economists why rubles, dollars, lire, or yen have anything to do with this matter. We must instead compare the quantity of an item which can be purchased by proceeding, for example, from the hourly or monthly wages. On his average hourly wage an American can buy 1-1.5 kg of meat. The average hourly wage in the USSR corresponds approximately to 0.6-0.7 kg of meat. And so it turns out that meat is not cheaper but more expensive in our country than it is in the United States.

A. Lapin

Moscow

2384

#### Newly Organized Co-ops Process Secondary Raw Materials

18270062 Moscow *EKONOMICHESKAYA GAZETA* in Russian No 22, May 88 p 21

[Article by M. Bulatov (special correspondent) (Tbilisi): "Experience Is Increased in Value by Repetition"]

[Text] Each year another more than 200 million tons of industrial- enterprise waste are added to the existing several billion tons, and they take up 20,000 hectares of land. Cooperatives for the manufacture and processing of secondary raw materials are beginning to use this waste for producing the most varied commodities. Supervisors of Union- republic gossnabs, regional gossnab administrations, and chairmen of the cooperatives became acquainted with this work experience at an All-Union seminar-conference in Tbilisi.

Georgia's successes in creating cooperatives for procuring and processing secondary raw materials were obviously greater than in other regions. Given the task of organizing 10 such cooperatives, they have already established more than 20. They have realized output worth more than 0.5 million rubles. What is the secret of the successes? Who should organize cooperatives and how, and what is valuable in the existing experience? Discussion of it at the seminar-conference gave answers to these questions.

The first prerequisite is not to spare time, efforts and resources on work with the populace. Each enterprise has workers who view with pain industrial waste being taken away and destroyed, knowing what can be made out of it. It is important to prompt such people on what to begin with and how to operate. So first of all, said Georgia Gosnab chairman O. Kvilitay, we organized systematically articles and appearances by our specialists and by other workers of the central republic organs in the periodical press, and on television and radio. The cooperatives' goals and tasks were explained to the people, and organizational, financing, legal and other aspects of their activity were bared, based upon specific examples. However, convincing people that the waste-processing situation can be changed for the better if the matter is tackled jointly is only a start of the work.

The second and most difficult prerequisite for success is actually to help, not just with advice, when future cooperators come with their suggestions. Such help is very necessary. Economist G. Tskhvedadze, for example, came to G. Avdushelishvili, deputy chairman of Georgian SSR Gosnab, and told him about his difficulties. He was helped to make up the cooperative's charter correctly and to prepare a draft of a contract with an enterprise. And now the cooperative that he supervises, Mertskhali, is processing secondary metal of the PO [Production Association] Azot (in Rustavi), in one of the association's departments. Metal was soon received and remelted at an old but still efficient cupola-furnace. Possibly this was even the cooperative's first industrial metal melting this year.

Unfortunately, some regional Gosnab administrations are different. O. Ignatenko, general director of Vtorresursy Association, told about this. Supervisors of initiating groups that want to create cooperatives get one and the same answer from whichever staff member responds: "We won't help, we don't get paid for it." And if, for example, a proposal to organize a cooperative for procuring and processing secondary raw material that is not on the gosnab's product list arrives, then the answer is even shorter: "It's not our waste." Even the slag of metallurgical combines is not on the gosnab's product list. However, O. Ignatenko and G. Abdushelishvili did not consider that organizing cooperatives for processing was not their business. Two such cooperatives are operating successfully in Georgia and in Primorskiy Kray. Our newspaper (No 18) has already written about the experience of one of them.

Gosnab organizations procure waste in accordance with the products list approved by USSR Gosplan. These are textile and polymer secondary raw materials, wastepaper and broken glass, discarded hide and bones, and worn-out tires and inner tubes. But experience indicates that much other waste can become raw material for production purposes.

M. Sabirov, chairman of the Poisk cooperative (Moscow), said, for example, that his staff workers had completed the development of a technology for producing building material by using the very fine dust that forms during keramzit manufacture. The city's sanitary and epidemiological station did not allocate places for storing it, although about 200 tons of this dust are formed daily. They unload it secretly, wherever they can, and the valuable raw material disappears irretrievably. Yet it turns out that silicate brick with higher heat-insulating properties per kilogram and lesser weight than ordinary brick can be made from this dust and from cement-production waste, which forms, on the average, at the rate of 15 tons per day at each enterprise. A solution to the problem will be found, but who will undertake its production?

The Sumgait Aluminum Plant created a cooperative that arranges for the production on a substantial scale of silicate paint from plant waste, among which are half a million tons of epoxide slurry. Now A. Azizbekov, deputy chairman of Azerbaijan Gosnab, is searching for buyers in order to get a market, for 15 tons of paint are produced in one month alone. And this is not an isolated example of marketing difficulties. So Azerbaijan's supply workers have undertaken marketing earnestly.

It would seem that even the cooperator must more actively seek out customers, conclude agreements and fill the orders of industrial enterprises. A problem of organizing cooperatives for procuring and processing secondary raw materials is that presented by bureaucratic boundaries. Experience indicates that the problem must not be solved by materials-and-equipment supply workers alone. Close collaboration with executive committees of soviets of people's deputies and with industrial enterprises is necessary.

"There is such experience in Sverdlovsk Oblast," said T. Yarkin, section chief of Sverdlovskglavsnab [Main Administration for supply and Marketing in Sverdlovsk Oblast]. Interest in it is understandable. It is explained by the fact that cooperatives are being created primarily under industrial enterprises for solving actual production problems. An experiment by local industry, which was rented to a Nev'yansk Brick Plant cooperative, is widely known. Publication of the newspaper KOOPE-RATOR will start soon in the oblast, and it will be easier to study the best achievements. For each useful experience is enriched by repetition."

The assistance of local soviets of people's deputies and industrial ministries and enterprises is needed, of course. All participants in the seminar-conference concurred with this. However, it was explained that there are also other organizers of cooperatives. O. Ignatenko, general director of the Vtorresursy Association (Primorskiy Kray), was probably one of the first who came to the conclusion that it was necessary to unite the forces of the cooperators themselves. For the staff workers of the



association's administration refused to help the cooperators. They created their own council for this purpose, without receiving support here in solving vital problems. Twenty cooperators are in it.

If each chairman of a cooperative would make decisions on all problems himself without knowing about the experience of others, he will still be piling up waste in the dumps for a long time. And, besides, the customers will soon see real economic competition by the cooperatives, which will force demands to be given better consideration, output variety to be expanded, and prices to be reduced. New cooperatives should adopt more quickly the experience of cooperatives already operating.

The council proceeded to its job, but its members soon understood that a consultative organ cannot extend adequate effective help to cooperators. Then they studied the experience of customer cooperation and created Primvorkoopsoyuz [Primorskiy Kray Cooperative Union for the Procurement and Processing of Secondary Raw Materials] under the Vtorresursy Association, in accordance with its example. Its highest organ is the council of chairmen of the cooperatives. The council meets twice annually, to solve the most important problems—choice of priorities of areas of activity, monitoring of price-setting, and supply and marketing of output.

In between council meetings, the union's administration acts. O. Ignatenko was elected its chairman. There are three staff workers—the deputy chairman and two engineer-economists. They have revealed that Primorskiy Kray enterprises have excessive and unneeded realizable assets worth 60 million rubles. In order to realize them, the council must help the cooperative to organize the Uskore-

niye Intermediate Cooperative. There is also a centralized fund for common needs. Even at the seminar-conference, the union's deputy chairman came for these funds.

"Even I came to Tbilisi for cooperative funds," said F. Lindvere, chairman of the Council of Cooperatives for Procuring and Processing Secondary Raw Materials of the Estonian SSR. "The council we created recently still is not rich and it has only one staff worker—a secretary. Members of the council and its chairman are working for free to extend help to new and existing cooperatives. We hope that this year more than 10 new cooperatives will be formed. The council does not have control functions over the activity of the cooperatives..."

In the opinion of the seminar-conference participants, meetings of cooperative organizers are very useful and must be held much oftener. It is important as well constantly to collect and disseminate experience in organizing cooperatives. The Central Scientific-Research Institute on Information and Technical and Economics Research for Supplying Materials and Equipment and Gossnab's All-Union Institute for Raising Skill Levels began this work.

The training of cooperators has started. The first courses for raising the skill levels of regional-organ workers are already in operation at the State Supply Institute. Their students went in groups of six to Sverdlovsk, Riga and other cities. Their work for graduation analyzed the activity and organization of cooperatives in their own administrations, taking into account the experience of other parts of the country. All this undoubtedly will help to develop cooperatives for procuring and processing secondary raw materials, which, by the nature of their functions, can be more closely integrated with state enterprises.

USSR Gosnab Reports: Basic Indicators of the Activity of Cooperatives for Procuring and Processing Secondary Raw Materials on 1 May 1988

	No. of registered cooperatives	Those that produce output No of cooperatives	No of Worker manning persons	Realized output since start of year, thousands of rubles
USSR	1,915	1,428	18,171	48,391.9
RSFSR	793	570	7,923	23,279.1
Ukrainian SSR	348	386	4,510	10,529.2
Belorussian SSR	93	85	1,083	2,733.4
Uzbek SSR	37	24	422	1,499.0
Kazakh SSR	133	124	1,219	2,171.9
Georgian SSR	44	34	280	639.4
Azerbaijan SSR	26	17	321	1,054.1
Lithuanian SSR	53	49	413	674.6
Moldavian SSR	22	14	147	338.8
Latvian SSR	33	23	333	821.4
Kirghiz SSR	30	19	347	692.7
Tajik SSR	28	19	276	257.5
Armenian SSR	21	19	484	1,338.8
Turkmen SSR	20	14	227	240.4
Estonian SSR	34	31	182	2,121.6

\*Manpower of members of registered cooperatives.

## FUELS

### Gas Minister Reports to Collegium on Progress, Tasks

18220070 Moscow GAZOVAYA PROMYSHLENNOST  
in Russian No 3, Mar 88 pp 2-6

[Report of address of Viktor Stepanovich Chernomyrdin, USSR Minister of Gas Industry, to the Collegium of USSR Ministry of Gas Industry: "Develop Advanced Traditions"]

[Text] An expanded session of the USSR Mingazprom [Ministry of Gas Industry] Collegium and the Presidium of the Central Committee of the Trade Union of Oil and Gas Industry Workers was convened at the ministry on 20 January. The results of the industry's activity during the past year and the ministry's tasks on supervising restructuring and on supporting fulfillment of the plan for economic and social development of enterprises and organizations of the gas industry during 1988, which were reflected in the report delivered at the session by Minister V. S. Chernomyrdin, were examined.

Taking part in the session's work were representatives of the CPSU Central Committee, the USSR Council of Ministers, USSR Gosplan, USSR Gosstat, and other authoritative organs, and a number of ministries, party, soviet and trade-union organizations, association managers, scientists, and advanced production workers.

Published below (in substance) is the address of USSR Minister of Gas Industry V. S. Chernomyrdin.

The second year of the 12th Five-Year Plan, a year of profound qualitative transformations and large-scale decisions, has passed into the annals of history. It was marked by most important events in the social and political life of the country, and by strenuous creative work in all areas of building communism. The main directions of revolutionary restructuring in all spheres of our society were defined by the January and June 1987 CPSU Central Committee Plenums and by the USSR Law on the State Enterprise (or Association), which was discussed nationwide and was adopted.

The central event of the past year was the 70th Anniversary of the Great October Socialist Revolution. Anniversary celebrations demonstrated the active support of the Soviet people for the party's strategic policy for accelerating the country's social and economic development, for restructuring, and for developing democracy and glasnost in every possible way, on the basis of which the negative tendencies of the past will be overcome and high moral and ethical norms will be confirmed.

Soviet society has basically completed the first step of restructuring, which began with the April 1985 CPSU Central Committee Plenum. Now a new, very important, and in many respects crucial, stage of restructuring has

arrived, the core of which consists of two mutually related key tasks—a further democratization of society and the execution of a radical economic reform.

This year a most important political event in the life of the party and the nation will occur—the regularly scheduled 19th All-Union Party Conference. It will be, in essence, a singular political test on the main topic of Soviet society's life—restructuring. Therefore, all practical work in the laboring collectives of our branch should be conducted in such a way as to pass this test meritoriously and to celebrate the conference with new labor achievements.

In 1987 the industry operated under the new economic terms. The results achieved testify to the positive effect of the new economic mechanism for technical and economic indicators. In the country as a whole, 15.4 billion m<sup>3</sup> of gas were recovered above the plan. The goal for recovering condensate and crude was overfulfilled by 1 million tons. Compared with last year, gas recovery increased 41.3 billion m<sup>3</sup>. Above-plan sales of commodity output exceeded 200 million rubles. Production grew at a rate of 7.2 percent and labor productivity grew 8.4 percent, versus the planned rates of 4.9 and 3.7 percent, respectively. About 270 million rubles of above-plan profit were obtained.

A large amount of capital construction was done and the contemplated program for building facilities in the social sphere was realized. More than 11,000 km of gas pipeline, 62 compressor stations, three installations for comprehensive gas treatment, and 88 AGNKS's [automotive gas-filling compressor stations] were put into operation, and 590 gas wells were connected to the system. More than 1.2 million m<sup>2</sup> of housing, kindergartens for 9,320 children, schools for 12,000 children, a polyclinic for 2,110 patients, and a number of other facilities were turned over for operation.

The Glavtyumengazprom [Main Administration for Gas Industry in Tyumen] collective, which recovered 6.8 billion m<sup>3</sup> of gas above the plan, made a decisive contribution to maintaining high development rates. Turkmengazprom [Turkmen Gas Production Association] and Soyuzuzbekgazprom [State Uzbek Gas Production Association] recovered 1.8 and 2.5 billion m<sup>3</sup> of gas, respectively, in their above-plan accounts.

In the modern era not only absolute results are important but also the price paid for achieving them. In this sense, enterprises of Ukrgazprom [Ukrainian Gas Production Association], Orenburggazprom [Orenburg Gas Production Association] and Soyuzuzbekgazprom [All-Union Uzbek SSR Gas Production Association] achieved the greatest successes. These associations paid major attention to economic work, introduction of a cost-reduction mechanism, and searches for reserves for increasing production efficiency.

The main feature of 1987 was the execution of major work, both by the central staff and by local authorities, on preparations for converting to full economic accountability and self-financing. In realistically assessing the results of the work that has been done, V. S. Chernomyrdin noted that not all associations and enterprises were ready yet for operation under full economic accountability. Some supervisors treated this important business seriously and soundly. But some still do not understand the importance and complexity of this work, having decided that everything will come easily, as if economic accountability will yield appreciable results all by itself. Not all enterprises are yet operating rhythmically, and some are coping with the plan but not in all the prescribed indicators. The level of fulfillment of deliveries of output under contract is 99.5 percent for the branch as a whole. Five enterprises fell short by 43 million rubles' worth of output. Both their supervisors and workers of the ministry's central staff were responsible for this.

A high pace of development for the industry depends greatly upon an acceleration of scientific and technical progress. A decisive role has been assigned here to the industry's science. However, our scientists stay aloof from solving many of the urgent problems of developing the industry. Appreciable results still have not been achieved in the area of comprehensive development of the country's leading gas, oil and condensate fields as a means for raising the coefficient of recovery by component. Institutes (VNIIgaz [All-Union Scientific-Research Institute for Natural Gas], VNIPIgaz [All-Union Scientific-Research and Design Institute for the Gas Industry], VolgoUralNIPIgaz [Volga-Urals Scientific-Research and Design Institute for the Gas Industry] and YuzhNIIGiprogaz) are making poor use of cryogenic processes for more intensive and comprehensive extraction of hydrocarbon raw material. There still has not been one proposal for improving the scheme for refining gas at the Astrakhan gas complex that would solve in toto the important industrial and ecological problems involved in the functioning of this complex. Soyuzgaz-tekhlogiya [All-Union Industrial Association for Gas Industry Technology] and Soyuzpromgaz [All-Union Science and Production Administration for Gas Utilization] are slow in working on the use of liquefied gases as motor fuel and the creation of effective gas-consuming equipment. Major complaints have been made also against the VNPO Soyuzgazavtomatika [All-Union Science and Production Administration for Automation of the Gas Industry]. With the necessary scientific and design personnel and a good production base at its disposal, the association still has not created completely automated technological complexes.

Preparations for converting to full economic accountability has revealed not only weaknesses and deficiencies in the industry's science but also shortsightedness in its administration. Thus, the draft plan for 1988 for direct contracts provided financing for only 53 percent of the operating volume

Active use of the institutes' and associations' trade-fair experience when formulating thesis-type scientific plans and the creation and development of temporary creative collectives can be effective economic levers of the new economic mechanism and a stimulus for increasing the pace and raising the level of research, for sharply increasing the practical yield of the work of scientists, designers, and manufacturing engineers, and for supporting the industry's production output on the world technical level.

In speaking about the new organizational structure for controlling the gas industry, the minister emphasized that the principle of combining regional and centralized direction of the industry, which has justified itself completely, will be retained as its base.

The main indicators for the plan for the third year of the current five-year plan were further described.

The State Work Order for 1988 calls for the recovery of 688 billion m<sup>3</sup> of gas and about 17 million tons of gas condensate and crude. With a view to satisfying more completely the national economy's demands for fuel and for gas-refinery output, while aiming at achievement of the most economical procedures possible for fuel utilization, an additional 13 billion m<sup>3</sup> of gas and 1.21 million tons of gas condensate are to be recovered and 200,000 tons of sulfur produced. Consumer-goods production volume should grow 1.4-fold, consumer services 1.8-fold.

In order to execute these tasks, it is planned to connect 646 gas wells to the system, to put into operation 9 installations for integrated gas treatment, 10,000 km of gas pipelines, 47 compressor stations, 91 AGNKS's, and 5 billion m<sup>3</sup> of capacity for gas refining, and to build up the active volume of underground gas-storage capacity.

A broad program for building houses and facilities for social, cultural and domestic-services facilities is planned.

High rates of gas-industry development are to be provided for mainly by accelerated development of the Yamburg field and by an increase in gas and condensate recovery at the Astrakhan and Karagachaganak fields and in the amount of refining, with the recovery of sulfur and other valuable products, by introducing capacity at the Astrakhan and Orenburg gas refineries, and also by further assimilation of the Sovetabad and Shurtan deposits.

Moreover, in examining the industry's economic miscalculations, particularly the lag in putting new capacity into operation, the minister pointed to some reserves, the complete use of which will enable the economy of the gas industry as a whole to be improved considerably.



The Astrakhan gas complex is of special importance for the industry as a whole. Here there are many construction defects, and the plant's power supply is not steady. During the fourth quarter alone, Astrakhangazprom [Astrakhan Gas Production Association] fell short in its contracts by more than 41 million rubles' worth of output.

One of the important ways for increasing the economic effectiveness of West Siberia's gas recovery is to put order into organizing work under the rotating expeditionary method. Hauling workers from many parts of the country leads to substantial transport costs. Glavtyumengazprom and Urengoygazdobysha [Urengoy Association for Gas Recovery] management has allowed this work to drift. Problems of creating normal living, cultural and domestic-services conditions for the rotating-duty workers are being resolved extremely slowly, causing a loss of 100 million rubles in profit annually.

The new management conditions have not exerted an appreciable influence on the work of the drilling organizations.

Although the plan for well construction has been overfulfilled as a whole, at such fields as Astrakhan, Yamburg and Karachaganak the goals constantly are not being met.

A vicious practice has been observed: at the beginning of the year, drilling-enterprise supervisors ask for and get increased planned amounts of penetration with a view to increasing the wage fund, but at the end of the year the plan is not met and large losses are formed.

The prevailing stereotype can be avoided by using a precise strategy for supervising drilling that will meet the goals of restructuring, by earnestly improving economic work, and by improving the equipment for and the technology of the operations. All drilling services of the associations must be aimed at the final result—timely turnover of wells and a reduction of their cost.

The state of the preparatory work for assimilating Yamal Peninsula fields, where Severgazprom [Northern Gas Production Association] is poorly developing the front for drilling operations, is causing the greatest anxiety at present. VNIPIgazdobysha [All-Union Scientific-Research and Design Institute for Gas Recovery] did not meet the deadline for issuing TEO's [feasibility studies] for the buildup of the Bovanenkovskoye and Kharasaveyskoye fields. All organizations that participate in this matter must radically restructure their relationship toward the pace of realizing the goals for assimilating Yamal and must make up for what has been neglected as soon as possible.

In reviewing capital-construction deficiencies, the speaker said that the practice of constructing the linear portion of trunk gas pipelines well ahead of time causes harm to the compressor stations and other technological

facilities. The existing practice of distortions in construction planning leads to an increase in the reserves of uninstalled capacity and causes serious harm to the economic activity of enterprises.

The results of a check by the USSR Prosecutor in June 1987 indicated that we have not been able to store properly and use rationally immense amounts of realizable assets. This relates primarily to Soyuzuzbekgazprom, Turkmengazprom [Turkmen Gas Production Association] and Astrakhangazprom [Astrakhan Gas Production Association]. Order still has not been imposed within Glavtyumengazprom.

The work of financing capital construction needs radical restructuring. The state plan has defined capital-investment ceilings and the amounts of overfulfillment thereof precisely. Meanwhile, these restrictions are being ignored locally, not without the knowledge of the ministry's Capital Construction Administration. Knuckling under to USSR Minneftegazstroy [Ministry of Construction of Petroleum and Gas Industry Enterprises] contracting organizations, they signed up for 451 million rubles' worth of work for the linear portion of gas pipelines above the contracts, without having the financial resources for it. As a result, many clients turned out to be not in a position to fulfill their contractual commitments. Thus, the irresponsibility of supervisors of Glavtyumengazprom, Saratovtransgaz [Saratov Gas-Transport Association] and the Central Directorate for Gas-Pipeline Construction led to USSR Mingazprom's cutting off the amount of financing for the first quarter of 1988 by the amount named.

In noting the positive role that supporting ministries plan in developing the gas industry's production capacity, the ministry expressed great anxiety because of the underfulfillment of a large number of the industry's tasks. Thus, USSR Mintyazhmash [Ministry of Heavy, Power and Transport Machine Building] failed to deliver regenerators, USSR Minelektrotekhprom [Ministry of Electrical Equipment Industry] and USSR Mintyazhmash did not insure the creation of containerized modular electric-drive units of 12.5 MW power, and USSR Minkhimash did not deliver an experimental compressor installation for the cycling process, testing of which was intended for the Timofeyevskoye field.

USSR Minpribor [Ministry of Instrument Making, Automation Equipment and Control Systems] did not turn over a programmed-equipment complex based on micro-processor equipment for automating KS's [compressor stations], and USSR Minchermet [Ministry of Ferrous Metallurgy] is delaying the output of 300,000 tons of economical pipe for gas pipelines.

This is a far-from-complete list of the arrears, because of which USSR Mingazprom is experiencing a severe need for timely delivery of the equipment planned.

An important social measure is introduction into the industry of new wage terms. Here an increase in wages covers all its components—the schedules, the setting of norms, the bonus-awarding system, additional payments and allowances—and it is done completely through internal resources.

By the start of this year 83 percent of the industry's gas workers had converted to the new system, and their pay rose by 13-15 percent (for blue-collar workers) and 19-20 percent (for specialists). Because of this the absolute release of workers numbered 20,500, of whom 12,000 were reassigned within the industry.

In describing the Central Asian and Kazakhstan regions as difficult for the release of worker manpower because of the limited number of workplaces, the minister said that the initiative of supervisors and their trade-union organizations should be demonstrated here in the creation of subsidiary farms, by organizing subunits for realizing consumer-paid services, by expanding the spheres of shopping and public catering, and by creating cooperatives.

In many associations the job of realizing consumer services is being handled completely unsatisfactorily. The annual plan therefor was fulfilled by about 69.2 percent.

The matter of the associations that are the actual proprietors of such cities as Novyy Urengoy, Nadym, Belyy Yar, Komsomolskiy, Gazli, Mubarek, Gaz-Achak, Chervonnyy Donets, Krasnograd and the settlements of most compressor stations is going especially unfavorably.

Enterprises that understand the importance of the tasks set by the party and the government seek out and find reserves and sources for the services. Thus, at the Kaliningrad Experimental Plant of the VNPO Soyuzgazavtomatika and the Tbilisi Gas Equipment Plant, cooperatives for repairing radio equipment and microcalculators and cars have been created. Five more cooperatives have already been formed and they will begin to operate in the first quarter of this year.

During 1988 consumer services are included in the State Work Order and should rise 1.7-fold. The Ministry has decided to consider the fulfillment of this indicator when awarding bonuses and when summing up socialist-competition results.

Restructuring within the industry is aimed primarily at raising the activeness of all workers and including them more skillfully in social processes, and at developing democratization and glasnost. Meetings in collectives are proceeding more actively than previously, and there are interesting suggestions from the floor about improving this work. More than 700 managers have been chosen already by elections and contests, and more than 2,000 people have been so chosen as foremen and brigade leaders.

The election of managers in Turkmengazprom, Orenburggazprom, Soyuzgazmashapparat [All-Union Association for Making Gas-Industry Machinery and Equipment] has been put into practice most actively.

At the same time, the high prestige of prime managers who have not been selected within councils of worker collectives is not being confirmed in all organizations.

The conversion from preferentially command-administration methods for control to economic methods of management has disclosed major defects in the economic training of workers, has shown a lack of skill of many managers and specialists in reasoning in economic categories, and has shown an absence on their part not only of the appropriate habits but also of the lack of a taste for these questions.

It is necessary to oppose this organization of economic training for gas workers and to consider the organization of their work under the terms of the new economic mechanism. It is considered necessary for all, since the results of a collective's work depends directly upon a knowledge by each worker of the underlying principles of the economic reform that is being conducted.

There are in our branch no few managers who are keeping up with modern requirements and who show managerial savvy, an out-of-the-ordinary engineering approach, and reliable economic knowledge when solving production and social problems. They include B. V. Budzulyak, B. V. Speranskiy, V. Ya. Chumakov, I. V. Diyak and G. A. Tataryan. One can dare to call such managers, according to the vivid expression of Mikhail Sergeyevich Gorbachev, superintendents of restructuring.

In emphasizing the importance of concern for personnel, the speaker said that it is necessary not only to increase the demand for action at the sections entrusted with the work but also to stimulate increasingly their independence, initiative, and boldness in making decisions. Each should find his own capabilities. This relates especially to workers of the middle and lower elements. But one should not delay when it is apparent that the manager is not capable and, moreover, does not want to operate under democratization and the new economic mechanism. They must be replaced decisively.

We have many advanced collectives and production workers and innovators who operate with high effectiveness, giving examples of an authentically communist attitude toward work. In the vanguard of the competition are collectives of Orenburggazdobysha [Orenburg Gas-Recovery Association], Ukrburgaz [Ukrainian Gas-Drilling Association], Surguttransgaz [Surgut Gas-Transport Association], Soyuzgazenergomont [All-Union Association for the Overhaul of Gas-Industry Power-Engineering Equipment, Armgazprom [Armenian Gas Production Association], the Druzhkovka Plant for Gas Industry Equipment and Cranes, the Sosnogorsk Gas

Refinery, and the Krasnodar trust Soyuzgazenergomontazh [All-Union Trust for the Overhaul and Installation of Gas-Industry Power-Engineering Equipment], which completed annual plans and socialist commitments ahead of schedule.

More than 2,000 labor collectives of enterprises, services, departments and brigades carried out plan tasks for the first two years of the Five-Year Plan by the 70th Anniversary of the Great October.

Calling the names of the leading lights of the movement for communist labor, we have: Asmamed Nurmamedov from the Maryy UBR [Drilling Administration], Dzhuma Kurbanov from Mubarekgazdobycha [Mubarek Gas Recovery Association, Leonid Ostromogilskiy from the Northern LPUMG, and others. Viktor Stepanovich Chernomyrdin noted the outstanding qualities of the right-flankers of the gas-workers' elite troops.

At the same time, he said:

"Right now there are still much window-dressing, overorganization, poorly thought-out formulations, and a proliferation of paperwork in organizing socialist competition. All this often emasculates the very basis of labor competitiveness and turns it into simple formalism. The prevailing canons should be torn down more boldly, obsolete approaches should be dispensed with, and competition should be turned into a powerful lever for restructuring the industry's work."

The minister expressed firm confidence that the good deeds of gas-industry workers will be worthy of the forthcoming 19th All-Union Party Conference, a meeting that the industry will celebrate with shock work and still more meaningful practical results.

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## LABOR

### Goskomtrud Chairman Discusses Improving Labor Productivity

18280073a Moscow SOTSIALISTICHESKIY TRUD in Russian No 5, May 88 pp 3-9

[Article by I. Gladkiy, chairman of the USSR State Committee for Labor and Social Questions: "For an Intensive Economy—Effective Employment"]

[Text] One of the chief trends for accelerating the country's socio-economic development, overcoming unfavorable trends in the economy over a brief period of time, attaching to it greater dynamism, opening up an expanse for initiative and creativity by the masses, carrying out a radical restructuring for administering the economic complex in conformity with decisions handed down during the June (1987) Plenum of the CPSU Central Committee and improving the economic mechanism is that of achieving a basic increase in the rates of growth for labor productivity and, on this basis, further improvements in national well-being.

The introduction into operations this year of the USSR Law Governing a State Enterprise (association), the conversion of enterprises over to complete cost accounting and self-financing and to the new conditions for wages using their own earned resources, an acceleration in scientific-technical progress and improvements in the staff structure for organs of administration will be accompanied by the process of releasing workers from active enterprises and from organizations and institutes. Thus a need has developed for undertaking active measures aimed at redistributing workers who have thus been released among production operations, branches and regions and organizing their retraining and job placement.

In this regard, the CPSU Central Committee, the USSR Council of Ministers and the AUCCTU adopted the decree entitled "Ensuring Effective Employment for the Population, Improving the System of Job Placement and Strengthening the Social Guarantees for Workers" at the end of last year. This document is unique in terms of its essence and spirit.

A question arises: why is it that we are discussing today those problems which were emphasized in the decree? Indeed, everyone has become accustomed to the fact that we are constantly faced with personnel shortages both in material production and in the non-production sphere, especially in its service branches. Notices of personnel requirements have become common sights on billboards. According to official data, there are more than 1.5 million unemployed workers in the country at the present time. Many enterprises are chronically understaffed and this is resulting in the under-fulfillment of production tasks. These negative phenomena constitute a type of legacy from the past and are caused mainly by imperfections in the economic mechanism, by the

absence of effective levers for controlling the reproduction of working positions and by extensive methods for increasing the production volumes.

Earlier, when determining their additional personnel requirements, enterprises were not guided by the principle of "maximum output with a minimum number of personnel," but rather they operated on the basis of a need for having excess personnel for smoothing out the non-rhythmic deliveries of raw materials and other materials, for furnishing assistance to agriculture and vegetable bases, for carrying out other operations not called for in the plan and so forth. In addition, the existing system of wages produced an equalization in salaries and was not adequately coordinated with the personal contributions made to the operational results of labor collectives, it limited the opportunities for growth in wages and thus it failed to create interest in the personnel in working in a manner so as to produce a maximum return for their efforts. The administration and labor collectives did not strive to lower the number of workers.

Today the enterprises and organizations and their labor collectives are interested in economic management, in the efficient utilization of personnel and in reducing surplus manpower. And the results are readily apparent. For the first time over a period of many years, enterprises have begun releasing workers while simultaneously increasing their production volumes and raising labor productivity considerably.

In USSR Minnefteprom [Ministry of the Petroleum Industry], for example, 11 percent of its workers were released during the course of introducing new tariff rates and official salaries into operations. At the same time, the branch improved its operations considerably, it eliminated indebtedness associated with the extraction of petroleum and it achieved a sharp increase in labor productivity. The number of personnel at enterprises of five ministries, which operated during 1987 on the basis of complete cost accounting and self-financing, decreased by several tens of thousands of workers. Similar processes are taking place in construction, transport and in other branches.

Thus the release of workers is becoming a daily objective reality, an economic method for managing the economy and a regular result of scientific-technical progress. It reflects a new quality in economic growth. The release of workers constitutes a stable source for covering the increasing requirements for skilled personnel of intensively developing production branches and for their redistribution in order to develop the sphere of services in regions of new economic development. That is, this process appears as one of the principal indicators for raising production efficiency and as a factor for realizing a savings in the chief production resource and it is long-term in nature.

The timeliness and importance of adopting the mentioned decree is conditioned by the fact that the innovative nature and urgency being attached to the release of personnel are not being evaluated correctly in all areas. The opinion still persists that the tremendous requirement for labor resources that has existed for many years throughout the country serves to "guarantee" complete employment for the population. Moreover, attention is not being given to the fact that the absence of a socio-economic mechanism for the redistribution of workers and for organizing the retraining of workers when necessary is raising insurmountable barriers along the path to releasing man-power, even in the face of personnel shortages. Experience has confirmed this fact. At the present time, notwithstanding the small scale of work associated with the release of workers, definite difficulties are arising in a number of areas. This applies in particular to leading workers, specialists, office workers and persons of pre-pension and pension age.

The problem of job placement for workers released from their jobs is rather acute in small cities and settlements, at stations and railroad sidings and in certain regions of the country. This is caused to a large degree by a lack of preparation for the carrying out of work and by the absence of a mobilizing principle. The creation of new and improvements in existing forms of employment are directed towards attaching a clearly organized character to the process of releasing workers and to the subsequent employment of released workers and also to reducing to a minimum all negative phenomena and possible economic and moral losses and truly guaranteeing the right to labor.

The document adopted is democratic in nature and imbued with concern for man and his work both today and tomorrow. For example, let us take the procedure for the release of workers. It is stipulated that all questions associated with this procedure and also with the retraining and job placement of released workers will be resolved in strict conformity with labor legislation and the USSR Law Governing a State Enterprise (association), on a democratic basis, with the direct participation of the labor collectives and with the interests of the workers being taken into account in a thorough manner. In actual practice, this implies that the labor collectives and trade union organs must not be indifferent contemplators or ignore the changes taking place. They are obligated to erect a strong barrier against bureaucracy and sluggishness and not tolerate any infringements of the interests of workers or their right to work. Only this type of approach will make it possible to avoid the various types of violations and abuses being reported in complaints from the population, for example when an administration attempts to release mainly obstinate workers who are deemed unsuitable or to reduce the number of workers while not touching any of its administrative personnel.

Considerable importance is attached to the planned nature of worker release work and to their subsequent employment and this is reflected in the document as

adopted. And truly, it is difficult to imagine what would happen, for example, if all of the union and republic ministries and departments located in Moscow simultaneously broke off their labor relationships with the workers recommended for release. Certainly, with the passage of time they would all be reemployed and yet this will require serious and unjustified effort on the part of the Soviet organs, ministries and departments as difficulties are encountered. Moreover, the released workers would be distressed to a considerable degree. Thus it is stipulated in the decree that the ministries and departments must define in advance the possibility of workers being released, they must take into account their professional structure, they must call for measures on a planned basis directed towards their further employment and they must furnish practical assistance in this regard to the associations, enterprises and institutes.

In exceptional cases and in the interest of carrying out the reemployment of released workers in an organized manner, the executive committees of local soviets of workers' deputies, with the consent of the labor collectives, are authorized to postpone the schedules for the release of workers. This measure is also aimed at protecting the interests of workers and is not in conflict with the USSR Law Governing a State Enterprise (association).

In solving the problems concerned with the reemployment of released workers, three principal tasks emerge: to retain the personnel potential to the degree that this is possible; to utilize the newly created and existing production potential in an efficient manner; to provide support for each released worker in conformity with his professional training, education, calling and individual capabilities and, in the process, to take into account the national economic interests.

First of all, the plans call for reemployment arrangements to be made for the workers at the particular enterprise or organization. In converting over to complete cost accounting and self-financing, all of the needed prerequisites are available for accomplishing this. Thus the desire to increase the output production volumes with fewer personnel prompts an enterprise to utilize its existing production potential in an efficient manner and to raise the return from its equipment operations. Enterprises are interested in increasing the funds for production and social development, in re-equipping production based upon leading equipment and technology and in strengthening the logistical base for the social sphere. This in turn makes it possible to employ the labor or released workers at newly created production operations, for the purpose of organizing second and third shifts and for carrying out the modernization and technical re-equipping of production operations and the construction of housing and socio-cultural installations using the economic method. Opportunities appear for utilizing their knowledge and experience when expanding the production of consumer goods, for organizing paid services for an enterprise's workers and the population in a

given territory, for developing subsidiary farms and for creating cooperatives at enterprises for the production of consumer goods and for providing various services for the population. All of these measures are provided for in the decree and many enterprises and organizations are operating on this basis in carrying out their work.

A study carried out by the Scientific Research Institute of Labor at enterprises in Moscow Oblast has shown that the proportion of workers who converted over to a second or third shift amounted to 32.3 percent of all workers released, including specialists and office workers—17.1 percent. Of 423 workers released at the Slavgorod Altaykhimprom Production Association, 239 (56.5 percent) were assigned to newly created departments, at the Sumgaitbytkhim Production Association 15.6 percent of all workers released were transferred over to newly created sectors and at the Saransk Svetotekhnika PO [production association], the Karbolit PO (city of Orekhovo-Zuyevo) and at the Saransk Excavator Plant practically all of the workers released are being used within the enterprise.

Certainly, the skills and training levels of the released workers do not always coincide with those required at the new working positions and for young workers a redistribution within an enterprise will for all practical purposes be accompanied by a change in the nature of the work activity. Thus the plans call for the retraining of released workers in the needed professions and specialties at their own training-course base or in professional-technical schools, higher or secondary specialized training institutes or in other enterprises and organizations on the basis of agreements concluded with them.

If it happens that released workers cannot be reemployed within the enterprise, ministry or department in the interest of retaining a skilled personnel potential, the branches must, to the degree that it is possible, provide these people with work at other subordinate enterprises. Towards this end, they must, with the participation of trade union organs and labor organs and based upon the prospects for developing the branch, the production infrastructure, modernization, the technical re-equipping of production, the placing in operation of new capabilities and the introduction of new equipment and technologies, call for measures to be carried out in a timely manner and on a planned basis in connection with the reemployment of released workers, with their professional-skill structure being taken into account. And in particular: the creation of conditions for sending released workers, in keeping with their wishes and in the form of transfers, to enterprises and construction projects located in regions of new economic development, with the appropriate guarantees and compensation being provided; providing assistance in the form of skilled personnel to production operations and enterprises which have fallen behind and which are experiencing acute requirements for labor resources; the organization of appropriate training, retraining and improvements in the skills of workers and specialists,

with use being made of the branch's training-production base, inter-branch training centers and educational institutes. In accordance with the materials from a study of 55 enterprises, organizations and institutes, conducted in 1987 by the Scientific Research Institute of Labor, 82 percent of the leaders questioned believe that it is most advisable to redistribute released workers within an enterprise; 19 percent advocated reemployment within the branch; 36 percent view such workers as a fine reserve for satisfying the man-power requirements of enterprises located in a particular area and only 6 percent spoke out in behalf of territorial redistribution. This data serves to confirm the priority trends set forth in the decree for the reemployment of released workers.

However, it is completely obvious that it is impossible to ensure effective employment for the population merely through the redistribution of personnel within a branch or enterprise. In particular, this problem must be resolved at the regional level. The leading role in this regard must be played by the party, soviet and economic organs in the various areas, the territorial organs for labor and social problems and by the trade union councils. In the decree, emphasis is placed upon the fact that much will depend upon their skilful and efficient work with the labor collectives of enterprises, institutes and organizations in achieving timely job placements for released workers, their professional orientation and retraining and in achieving a proper balance between the working positions and the man-power available in a city or region; the principal trends for carrying out this work have been defined. Here we have in mind the need for making maximum use of the unemployed able-bodied population and released labor resources for the all-round development of the material production branches and raising the effectiveness of the fixed capital and capital investments. This is one of the chief pivotal tasks. We have already examined how it is being solved at an enterprise or within a branch.

Another important operational trend and one which is closely associated with growth in the well-being of the people is the planned and purposeful redistribution of released workers from production branches to enterprises and organizations in the sphere of services. In this manner, the development of this sphere will be accelerated and the population's requirements for housing, paid services, consumer goods and so forth will be satisfied more completely. The plans call for more extensive use of released workers in cooperatives and for providing them with assistance in the carrying out of private work activities. In the process and based upon the specific requirements of a territory for goods and services, special attention must be given to activating the work concerned with creating cooperatives in the sphere of public catering and domestic services for the population and expanding the production of consumer goods and products made from local materials and the procurement and processing of secondary raw materials.

A great amount of attention is given in the decree to those problems concerned with ensuring effective



employment of the population, including released workers, at the regional level by means of purposeful and well thought out measures and in keeping with the distribution of production. In particular, the plans call for the creation on a territory (in cities, settlements and in rural areas) of small specialized enterprises, branches and departments, for example for the processing of agricultural products, the production of goods made from local raw materials and also for the placing in operation of capabilities for the processing and storage of products at agricultural enterprises. For the efficient use of labor resources during the inter-seasonal period, we have in mind the more extensive development at kolkhozes and sovkhoses of small businesses and auxiliary industrial production operations.

Maximum assistance will also be provided to released workers, in accordance with their desires, in carrying out their transfers to work in other regions of the country and particularly to regions which are experiencing labor shortages such as Siberia, the North, the Far East and the non-chernozem zone of the RSFSR, in accordance with the plan and organizational forms.

Certainly, it should be emphasized that it is impossible to examine in the decree all of the aspects concerned with ensuring effective employment for the population and that only the principal trends are pointed out. Our country is tremendous in size and its regions differ sharply from one another in many aspects. The Far North has certain problems, while the south has problems which are completely different. Thus successful work will be dependent primarily upon initiative, enterprise and a search for new operational forms for use in the various areas. Work must be carried out in an energetic manner and one must not sit with arms folded waiting for the center to issue an instruction.

Experience has shown that the greatest difficulties are encountered in connection with the job placement of specialists possessing higher and secondary specialized educations. Thus the leaders of associations, enterprises and organizations are authorized to use specialists possessing higher educations, with their consent, as workers for the carrying out of certain more complicated, unique and important operations requiring a high degree of skill and professional training. This also applies in full measure to engineering-technical workers and specialists who are redistributed within production operations. Moreover, in the interest of the organized carrying out of work concerned with restructuring the structures of union, republic and other organs of administration, the decree defines measures aimed primarily at utilizing the knowledge and practical experience of released skilled specialists at state production associations and at active enterprises and organizations, in a manner so as to reduce to a minimum the existing personnel requirements. The plans also call for the transfer of such workers, in accordance with their desires, over to other

regions of the country in order to strengthen leading production sectors, to enterprises in the sphere of services (with advance retraining) and to cooperative organizations.

In view of the increasing scales of man-power movement associated with the release of workers and the need for effectively controlling these processes, a considerable increase has taken place in the role played by the job placement organs. The plans call for the rapid completion of an national job placement system for the population, one which encompasses the entire country. All elements of the system, from top to bottom, will be responsible for ensuring complete employment for the able-bodied population, its job placement, the organization of retraining and the carrying out of professional orientation work. In 1988, the plans call for the formation of a network of appropriate centers for job placement and for the retraining and professional orientation of the population in union and autonomous republics, krais, oblasts and large cities and also for job placement bureaus in regions and cities. New organizational structures based upon created data banks on man-power requirements and sources will ensure efficient job placement for citizens, maintain statistics on the employment and movement of the able-bodied population, control the distribution and redistribution of labor resources from a branch and territorial standpoint, organize the retraining of released workers using for this purpose the training base available on the territory and carrying out professional orientation work.

Meanwhile, the plan calls for a broad exchange of the information contained in the data bank among elements of the system. This will make it possible to employ an all-round approach for solving the problem of complete employment for the population and timely job placement work in behalf of released workers in individual regions and throughout the country as a whole, while taking into account their wishes, professional training, operational experience and the national economic interests.

The following principal functions of regional centers (bureaus) can be singled out: satisfaction of the personnel requirements of enterprises and organizations; calculating the job placement work required for the unemployed able-bodied population and for released workers; calculating the available working positions and vacant posts, the information on these positions and posts and also the labor resource requirements of the population, enterprises, organizations and institutes; job placement for released workers, with advance selection of the workplace prior to the cancellation of a labor agreement, including that associated with a transfer to another location; carrying out intra-regional and inter-regional labor (organized recruitment) and the resettlement of families; carrying out professional consultations with the population, presenting recommendations for the selection of professions and the sphere of labor, while taking into account the individual characteristics of the

personality; organizing the retraining of released workers through the appropriate training network available in a region; jointly with the enterprises and organizations, determining the list of working positions where the operating conditions and regimes are most favorable for pensioners, invalids, mothers and student youth; preparing forecasts for the man-power requirements and the sources for satisfying these requirements and others.

The associations, enterprises, organizations and institutes will provide the job placement organs with complete and all-encompassing information on available working positions and vacant posts and on all workers who have been released, accepted or discharged.

Centers for job placement and retraining and professional orientation of the population (job placement bureaus for the population) will make extensive use in their work of the computer and calculating equipment needed for solving effectively the tasks concerned with planning, forecasting and regulating employment of the population, the organization of planned and efficient job placements and the redistribution of labor resources.

Despite the shortcomings inherent in a job placement service, a national system is not formed in a blank space. Rich operational experience has been accumulated in this regard throughout the country. In Novopolotsk in the Belorussian SSR, for example, a personal accounting for and efficient job placement work have been carried out since 1984 for citizens of able-bodied age who have not been engaged in social production or undergoing training.

During the first year alone, the number of workers newly employed through the Novopolotsk Bureau increased by more than 36 percent and the number of newly employed workers in construction organizations and at trade and public catering enterprises—by 60 percent. The city's leading enterprises were staffed with personnel. The proportion of citizens employed through the bureau increased by 11 points and amounted to 94 percent. The schedules for job placements declined to 5 days and this made it possible to realize a savings on the order of 200 average annual workers and the number of workers whose length of service was interrupted as a result of a job transfer declined by twofold.

At the present time, the Novopolotsk system, approved by USSR Goskomtrud [State Committee for Labor] and recommended for other union republics, is in operation throughout all of Belorussia and is being introduced into operations in a number of regions in the USSR.

Interesting work is being carried out in the city of Beltsy in the Moldavian SSR<sup>1</sup>, in many regions of the RSFSR (Moscow, Ulyanovsk, Sverdlovsk and Ryazan oblasts, the autonomous republics of the North Caucasus and in the Altay, Krasnodar and Stavropol krais) and also in the Baltic republics.

During the 1985-1987 period, more than 7,000 able-bodied citizens were reemployed in cities in Stavropol Kray. In Tomsk, an information system which has been in operation in a job placement bureau since 1983 makes it possible, based upon an automated data bank on available working positions and vacant posts, to solve job placement tasks for workers in the mass professions, engineering and technical workers and office workers, pensioners and students and to obtain analytical materials associated with the movement of workers, a factor which is of extreme importance for organizing control over labor resources.

The national job placement system for the population is becoming an integral part of the system for controlling the country's labor resources, the development of which, in conformity with the decisions handed down during the June (1987) Plenum of the CPSU Central Committee, is being carried out in an active manner by the USSR Goskomtrud together with other ministries and departments.

In order to reduce to a minimum the possible interruptions in operations as a result of the release of workers and temporary losses in wages and other difficulties associated with changes in labor activities, the decree has expanded the privileges and compensation for released workers.<sup>2</sup> We will mention only a few of these.

For example, it has been established that a worker should be informed not later than 2 months prior to his impending discharge. This means that he cannot be discharged by the administration without his consent during the course of this period.

The plans call for an increase in severance pay from a two-week to a monthly amount when a release is carried out in connection with a reduction in staff and for the retention of average wages throughout the job placement period—up to 2 months and in exceptional cases up to 3 months. This will make it possible to ensure reemployment for released workers in a purposeful and timely manner and to take into account, to the maximum possible degree, both their wishes and also the requirements raised by the new work assignment.

An important measure is that of providing compensation for the material losses of a released worker during the period in which he is undergoing retraining or improving his skills (retention of wages computed according to the former workplace, when the retraining is carried out with leave from work, and an additional payment for the difference up to the average earnings when the retraining is carried out with no leave from work). Both compensations are continued throughout the entire period in accordance with the established training schedules. It bears mentioning that the decree was prepared in an atmosphere of great openness, it has been discussed by 350 labor collectives and it has received the support of workers. Their comments and wishes were taken into account to the maximum possible degree in a recent

editorial. This is instilling firm confidence in the fact that the guarantees and compensation established for them are making it possible to solve in an effective manner the problems concerned with job placement, retraining and the territorial-branch redistribution of released workers, without infringing upon their rights or the rights of the enterprises.

The Soviet people are not threatened by unemployment. The country possesses all of the opportunities and conditions needed for truly ensuring employment for the population and for presenting each individual with unlimited opportunities for the application of labor and for revealing his creative talents. As already noted, at the present time there are 1.5 million unoccupied working positions and 10 million individuals can be drawn into social production through the rational use of production potential and the conversion over to a multiple-shift work regime. The non-productive sphere, which requires labor resources, is developing on an extensive scale at the present time. Both at the present time and in the future, the regions of new economic development, just as in the past, will continue to be large consumers of man-power and this applies in particular to the formation in these regions of large territorial-production complexes: West Siberian Petroleum and Gas Complex, the BAM (Baykal-Amur Trunkline) Zone, KATEK (Kuybyshev Automobile and Tractor Electrical Equipment and Car-buretor Plant) and others.

Soviet laws reliably protect and defend the constitutional rights of citizens to work and education and they guard and strengthen their social guarantees. This is borne out by the decree as adopted. But at the same time this imposes raised requirements upon the workers and it motivates them to work in a conscientious, highly efficient and high quality manner and to value the state's concern.

#### Footnotes

1. See SOTSIALISTICHESKIY TRUD, 1988, No. 3.

2. We will comment on these in more detail in subsequent issues of the journal, following approval by USSR Goskomtrud and the AUCCTU of the Statute on the System for the Release and Reemployment of Manual and Office Workers and the Presentation To Them of Privileges and Compensation.

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#### Election of Enterprise Managers Discussed

18280064 Moscow EKONOMICHESKAYA GAZETA in Russian 1No 21, May 88 p 2

[Article by I. Skorobogatov, doctor of economic sciences, professor of the Academy of the National Economy under the USSR Council of Ministers, and S. Safronov, candidate of economic sciences: "Electivity of Managers: Experience and Problems"]

[Text] The economic manager. To a great extent, his personality and his ability, together with the labor collective, to choose the strategy and tactics for an enterprise's cost-accounting activity predetermine the operational results, as well as the prospects for the socioeconomic development of plants, factories, and kolkhozes.

#### To Increase Initiative

And elections to management positions are supposed to put forth specifically such experienced, competent captains of production, those persons who show initiative and who enjoy the well-deserved authority and respect of labor collectives. In 1987, just before the USSR Law on State Enterprises went into effect, this country's labor collectives already elected more than 30,000 managers.

This fact tells us a great deal: about the increase of the working people's activity, about their support of the idea of electing managers, and about the interest in the new form of democratizing administration. But we must not close our eyes to the fact that often these elections are still held merely for the sake of holding elections, and they are organized in an impromptu, off-hand manner. Also encountered are instances wherein, during the course of the elections, serious differences of opinion arise between the labor collective and the administration, or with the higher-ranking organization. Such was the case, for example, both at the Mytishchinsk Machine-Building Plant and at the Volgograd Tractor Plant.

Nor can we fail to consider the fact that far from all economic managers have greeted the introduction of electivity with enthusiasm. For example, the results of an investigation conducted by the Academy of Social Sciences under the CPSU Central Committee have shown that one out of every three employees polled doubts that genuinely worthy and competent managers will be chosen during the course of the elections.

What are the reasons for such a restrained approach? Why is it that there are still many instances of elections which demonstrate how not to hold elections? It is evident that such reasons lie not only in the moral costs of the stagnant period, but also in the fact that we are late in our organizational and methodological provisions for electivity.



Of course, we could speak about the positive experience of RAF (Riga Autobus Factory), the furniture combine in the city of Andropov, and certain other enterprises, where the evaluation and winnowing-out of candidates were conducted on the basis of competitive tests, business-type games, point evaluations of businesslike and personal qualities, involving the help of psychologists and sociologists. We could also cite other instances. Thus, candidates at the Riga Kommutator Association are winnowed out on the basis of a computer analysis of their individual, professional qualities. But these isolated examples merely underscore the acuteness of the problem, the need to conduct precise, well-thought-out, and painstaking work with regard to organizing elections.

As is known, one of the fundamental ideas of introducing the principle of electivity consists of increasing the working people's initiative, activity, and role in managing production and in solving the problems of an enterprise's economic and social development. And, as experience has shown, elections achieve this goal. This has been noted by workers, specialists, and managers. However, so that isolated instances of spoiled elections may not become systemic, and so that the process of increased initiative among working people may become irreversible, we must, obviously draw timely and correct conclusions. We must also intensify our organizational and methodological support for the elections of managers.

#### To Bridge The Gap

All too often the process of the elections itself is understood in quite an over-simplified manner: people arrive, cast their votes, and then depart.

However, elections cannot be boiled down to merely the voting procedure. Even when use is made of the primary form of election—"direct elections"—wherein the phase of competitively winnowing out the candidates is lacking, very careful preparation is required: nominating candidates on a democratic basis, evaluating them in a preliminary way, and organizing pre-election program speeches by the candidates. Let's note, in passing, that, to our way of thinking, the mixed form of election still remains the most effective one. Under this system a competition commission winnows out several candidates and presents them to the labor collective for the final choice to be made.

An opinion has evolved to the effect that in micro-collectives, for example, in electing a brigade-leader, the stage of preliminary nomination, discussion, and evaluation of the candidacies is not obligatory. It is said that all these matters can be discussed directly at a meeting. Of course, there is no reason to utilize a competition in electing brigade-leaders. Even here, however, it is necessary to nominate the candidates, study and summarize the suggestions made by the workers, the administration, as well as the party and public organizations.

Yet another serious problem has been revealed in the course of preparatory work. People must be elected, they say, at certain enterprises. But from whom? Often quite an effort goes into seeking out a single candidate. How, they say, can we ensure that elections are held on a competitive basis in such a situation? Here, in our opinion, we must make broader use of various methods of evaluating the business and personal qualities of employees included in the reserves; we need well-thought-out systems for transferring specialists and managers, taking in to account their basic and specialized training for the position involved. Otherwise, the idea of electivity could be ruined and discredited.

Thus, the main problem of implementing the electivity principle lies in the presence of a gap between, on the one hand, the progressive form of recruiting personnel for managers by means of elections and, on the other hand, the low level of work with the reserves and the imperfections of the system of personnel work as a whole.

To our way of thinking, sufficiently complete systems of personnel work have been created today only at certain enterprises, but for the national economy as a whole personnel work still leaves much to be desired.

And so, is the introduction of the electivity principle a matter of running too far ahead; is it a kind of "Manilovism"? No, it is a bold and decisive step, one which compels us to seriously brace up all the other units of personnel work, and to finally make the transition from "paper" reserves to vital, well-thought-out work with people.

The effectiveness of such work can be judged albeit just from the experience of several Novosibirsk enterprises and the Vladimir Tractor Plant. They have developed and implemented targeted Reserve Programs, which have yielded substantial paybacks. Statutes on Transfers have been worked out and implemented at certain enterprises, in particular, at the Kirov Plant in Leningrad and at the VAZ (Volga Motor-Vehicle Plant).

#### Who Elects Whom?

Progressive experience has confirmed the following: a high-yield payback on the principle of electivity is achieved only in cases where the elections are conducted not just in and by themselves, but are regarded a part of the total personnel work. Elections are becoming a lever to restructure personnel work, and organizing them correctly ensures the dynamism of this entire process.

In connection with this, we would like to speak about certain problems which have not yet found the necessary solution in economic practice.

The existing documents have not set any limitations on the amount of time during which a manager can occupy a given position. The number of years for which a manager is elected is fixed. But nothing is said about how

many times he can be re-elected for a new term. The lack of attention to this problem is not so harmless as one might think. Suffice it to turn our thoughts to the recent past to convince ourselves of the following: stagnation in personnel leads to over-administration, engenders a fear of speaking out critically against a manager, and is conducive to a lowering of people's activity level. Creation of a mechanism ensuring the continuity and change of management personnel could be facilitated, in our opinion, by introducing into the Standard Statutes on Elections and other normative acts an article which would establish how many times a manager could be re-elected to a new term for a certain position.

Many other questions still remain without answers. For example, suppose a collective has elected a manager, but the higher-ranking organization refuses to confirm him in the position. Who is supposed to be the arbiter in this dispute? There is still no precise answer to this question. And so there will be no end to the innumerable conflicts until the legal documents indicate an organ to play the role of arbiter, until grounds are formulated according to which a higher-ranking organ can reject an elected candidate. Also required is a strict exposition and enumeration of the grounds for calling elections. One of them, in particular, could be a decision by the certification commission regarding the unsuitability of a manager for a position to be occupied.

Many disputes have likewise arisen around the list of elective management positions. The USSR Law on State Enterprises says that the managers of enterprises' structural subdivisions shall be elected. But, of course, this can be interpreted in various ways. Some people consider that this pertains only to line managers, while other people insist that functional managers are also subject to the elective principle. Moreover, the former say that an elected manager ought to be given the power to choose his own "team." Their opponents sensibly retort as follows: Why should certain members of the "team", for example, shop chiefs, be elected, while others are not? Where are the guarantees that the choice by the manager himself will turn out to be more correct than a choice by the collective?

We think that, in resolving these differences of opinion, it is necessary to take into account the experience of elections in past years as well as the present one, experience whereby labor collectives have elected and continue to elect both functional as well as line managers. That is, they determine on their own, whom to elect and whom the collective's manager can appoint on his own.

Of course, the group of matters mentioned here does not exhaust the entire multiple diversity of electivity problems. But, to our way of thinking, solution of the problems mentioned here in economic law will allow us to improve the organizational and methodological foundation for electing enterprise and organization managers; it will also raise the level of personnel work as a whole.

## EDUCATION

### Yagodin Interviewed on Recent Educational Reforms

18280059 Moscow IZVESTIYA in Russian 29 Apr 88 p 2

[E. Maksimova and I. Prelovskaya interview G. Yagodin, chairman of the USSR State Education Committee: "To Knowledge;" first paragraph is introduction]

[Text] Plans for the future include freeing secondary, professional, and university education from years of bureaucratic shackles, entrenched slogans, and trivial regulations, and giving people the right to be truly creative. The purpose of these changes is to make sure we have quality education and a flexible, multi-faceted system of continuous education. The entity entrusted with ensuring this is the newly created union- and republic-level USSR State Education Committee.

[Question] Gennadiy Alekseyevich, one of the difficulties in setting up the new educational system has been disorganization on the part of departments. Primary and preschool education are the responsibility of one agency, vocational education belongs to a second, and colleges and technical schools are run by a third. Every agency has its own specific plans and needs. We have seen situations when vocational, technical, and high schools all battle each other trying to enroll new junior high graduates. How will what the committee does differ from what previous ministries did in the past? We must assume that it will not automatically take over the duties of and imitate its predecessors and become a bureaucratic "federation."

[Answer] The February plenum of the CPSU Central Committee made it clear that people are not pleased with the extent and pace of the changes in the system of education or the way specialists are being trained. We have spent years fighting fires—taking care of immediate concerns—but have not been able to make much headway. What we need most of all today is a modern view of how the educational system should develop. This view must be based on society's future needs.

We have to formulate a clear idea of what we want secondary education to look like and determine the amount of mandatory education every student should get, identifying the point at which individual specialized education becomes possible. We need to reestablish the strained relations between secondary and advanced education and make advanced specialist training an integral part of the continuous educational system.

The committee will articulate a unified educational policy and create a strategy for the development of the educational system. Unlike the ministries, we will not be able to be involved in the day to day workings of the

system. But is there any need to have more than 130,000 schools under our direct control? I still get three or four kilograms of mail from private individuals and various officials per day.

**[Question]** Why is it that the issue of a unified policy has become so important just now?

**[Answer]** The scientific and technological revolution is forcing us to update our store of knowledge continuously. Of course, saying that we completely replace everything we knew every five to seven years misrepresents what we actually mean. Not all knowledge is the same. There is a nucleus of knowledge that lies at the core of the sciences and there is a periphery that is constantly in the process of being updated. This in no way diminishes the value of the original store of knowledge. There are at least two prerequisites to ensuring that students can continuously upgrade their knowledge. The first is to provide them with a solid foundation; that is, to give students the basic laws of nature and society. And the second is to stress the importance of learning and encourage people to respect knowledge and those who contribute to it.

When we ask consumers what complaints they have about advanced education, they usually answer that young specialists do not know how to work with people. But that skill usually comes with time. The real problem is something else: lack of professional competence. If we analyze the cause and effect relationships involved in the disasters that have rocked us over the last few years alone, the culprit in each case is sciolous professional knowledge. An ignoramus does not make independent decisions. But the sciolist, who is given authority, is in a position to wreak great havoc.

The State Commission's check of the Bashkir Medical Institute found that 50 percent of the graduates were unable to do a simple diagnosis. Future teachers from the Przhevalsk Pedagogical Institute were read a 10th grade level dictation and made between 17 and 22 mistakes. And while these are the most egregious examples, the very fact that they are possible is cause for alarm. The source of this situation may be found in the schools, where the individual personality is formulated.

**[Question]** What changes are envisioned there?

**[Answer]** There are various forms of secondary education. If someone wants to be a mathematician, physicist, or engineer, he has to be able to concentrate on the physics and mathematics cycle. Someone else might intend to focus in history and geography. In short, the amount students study one subject or another might not be the same. What is important is for everyone to have the opportunity to develop his abilities freely. That is, schools should offer greater opportunities to choose from, since stressing uniformity of education forces schools to lower standards and focus on weaker students in order to drag them up to the minimum acceptable

college entry level. We have been looking at universal secondary education as nothing more than the first stage of a college education, yet this view of it is completely incorrect.

**[Question]** Will the number of years of compulsory attendance change?

**[Answer]** In most of the countries of the world, students must attend school for 11 to 12 years. When we began working with junior high level students, our intention was not to cut back on the amount of time they spent in school, but to make things easier for them at the start. The amount they have to learn has not increased. Our objective in developing the idea of an educational fundamant is to permit the interests and abilities of adolescents to be addressed more accurately. There has to be a certain mandatory minimum, after which there are various electives. One possible model is that a person who finishes school can take his exams in all 11 subjects, or in any five. In either case, he receives a diploma showing that he has completed his secondary education. And those who go on to college will be the ones who perform on a competitive level within their programs. I would like to warn you, however, that everything I am telling you about is merely to get us thinking; no final decisions have been made.

**[Question]** Ideas, problems, and objectives are all elements of a strategy. But schools have everyday problems and concerns that have to be dealt with immediately. Who is going to do that?

**[Answer]** The day-to-day problems avalanche our committee regularly in the form of letters, telegrams, and phone calls. Why do we get them? Because our educational system is based on bureaucratic, authoritarian principles. In the past, everything has moved from top to bottom. This includes initiative, innovation, suggestions, experiments, and new techniques. Teachers were condemned to intellectual disenfranchisement and taught to think only in sanctioned ways. What a way to treat teachers, the ones who bear the light of knowledge to the new generation and shape its moral and civic outlook!

We are determined to completely resolve this decades-old situation. Our intention is to put teachers, who are the ones educating our youth, in charge of deciding what goes on in schools and colleges and running the educational process.

**[Question]** What mechanism do you see that will permit this to happen?

**[Answer]** Glasnost and growing democracy. Education is a governmental and social institution, and the last word in issues relating to it belongs to society. Other factors that will help include making certain jobs elective posts, placing the people at the "top" under the control of those at the "bottom," the overwhelming power of public



opinion, and open debate. A certain amount has already been accomplished. Deacons are now elected for five years. They are reviewed over that period, and at the end a secret ballot determines whether they will stay or relinquish their position to someone else. The council of scholars has also changed. The deacon has the right to appoint only half the members, the rest are elected. One fourth are teachers, the rest students. I am convinced that the part played by students in the councils will be revolutionary.

**[Question]** Our mail shows that not everyone is ready to accept the idea of students evaluating their teachers.

**[Answer]** We have been inundated with objections. The reason is that from now on vacancies for all teaching posts will be announced every five years. Obviously, most teachers will be re-elected, but the very possibility that someone might be replaced is of fundamental importance. And students will become part of the bodies that deal with the award of certificates and the competition for admission. Moreover, they will have a powerful mechanism enabling them to influence the course of events, that is, the "Teachers Through The Eyes Of Their Students" survey that will be completed after each session is finished (when students feel more at ease.) Some people say students are unable to grade their teachers. How wrong they are! In my experience, there has never been a case where students made a mistake in this area. Finally, we have been told that the survey will encourage anonymous responses, and that it is therefore immoral. But how can something whose purpose is upgrading the quality of teaching be immoral. Isn't this what these anonymous people are going to be the most interested in anyway. By keeping the forms anonymous, we protect the students, confident that they will not rant maliciously or libelously.

**[Question]** And how will grade and junior high schools democratize?

**[Answer]** In addition to a pedagogical council, it would make sense to create a school council in which neighborhood students, parents, teachers, and others responsible for setting the area's ideological and cultural policy would all participate. Schools should be the intellectual centers of the district they are located in, their windows should be lit deep into the night, with students drawn to them by the widest variety of different activities, from sports and music to computers. Districts and cities will organize school boards to determine what schools should do based on local conditions. As was discussed at the plenum, the membership of the councils will be elected. And like the executive bodies, education units will be attached to them.

Only democratization will permit ongoing problems to be resolved in an efficient, fair manner, without people having to wait around to make requests to or receive instructions from superiors. We need to do everything we can to encourage a process that our educational

system is not used to and assume as much personal responsibility as we can. Even as we speak here in Moscow, we are thinking about and planning for the possibility that someone is preventing schools, rayon ispolkoms, and rural ispolkoms from implementing their individual plans. We want them to chart original courses and, if appropriate, propose them to the committee. We want them use their minds.

**[Question]** We have spoken about democracy, equality, and respect for the ideas of others. But what happens when we use these ideas as the departure point for the way we look at relations between young people and adults? In teacher-student relations we often end up with the complete absence of equality and peremptory use of teachers' authority.

**[Answer]** This is a separate issue, but a very important one, since school is where citizens get their first lessons in democracy. Rude, loud, and disrespectful behavior are completely unacceptable in an academic setting. Democracy manifests itself as mutual interest in the subject being taught, the teacher, be he in classroom, lecture hall or seminar room, is so enthralled by what he is doing that he throws off his jacket, while the students are so enthusiastic they do not notice.

**[Question]** The papers have already reported on the new admission rules. Could you comment on them?

**[Answer]** The main idea was to eliminate noncompetitive admissions to college. Noncompetitive admissions made it difficult for universities to get quality students and, in my opinion, had a corrupting influence on our youth. Henceforth, admissions exams will test the competitiveness of candidates knowledge and intellectual ability. Privileged admissions will remain in effect for only a very limited group of people, and at that only temporarily we hope. For example, let us look at the special admission status of rural youth seeking entry into pedagogical institutes. One of Kazakhstan's high officials insisted on retaining this status, arguing that children there were treated for years as a cheap form of agricultural labor and given essentially no opportunity to obtain secondary education. So to compensate them, college or university admission are in order. But what happens is that this semi-literate teacher goes back out and plants a crop of new semi-literates. Noncompetitive admission forces out their better prepared coevals.

This is not to say we don't have plenty of weak rural schools. We have to observe the rules of social justice and give their graduates a chance. The tool we use for this is our remedial departments, which create an environment in which the necessary level of knowledge can be attained. We do not need people who know how to pad figures or manipulate accounts. We need thinking, educated engineers, teachers, and doctors.

**[Question]** The republics will still have reserved slots for the leading colleges in the country...

[Answer] Yes, but in a different form. Previously, the republics themselves would send candidates, giving them exams at local colleges. Favoritism was everywhere. Now we will be sending out special admissions teams from our committee. They will be the ones deciding who will study where.

[Question] Now let us look at admissions from a different angle. How does a college get rid of a poor student, since some will undoubtedly get through even the most rigorously objective exams to start the first year of courses? The practice has been to keep such students out of fear of culling them out and the consequence—a shortage of teachers—of doing so.

[Answer] Last year we did a study in which students admitted to college retook their entrance exams. The failure rate was 17 percent in Moscow, 19 percent in Leningrad, and 85 percent in Central Asia. I think you will agree that it would be difficult to get rid of four fifths of a freshman class. Nonetheless, we will be making decisive steps to dump ballast, starting immediately with the lower level classes. We have put an end to the tradition of passing everyone and including a little "reserve." The number of teachers no longer depends on the number of students, at least as long as the teacher-student ratio is under 1:8. No more devious grade inflation is necessary, nor is there any need to drag incapable, sloppy students kicking and screaming to graduation. Teachers can demand performance from their students. Hopefully, this new climate will enable colleges to be more businesslike, strict, and honest and raise the level of their graduates in a few short years.

[Question] When the first sputnik was launched, the whole world wrote about the advantages of our system of education. Don't you think we have lost ground in the area of training top quality specialists.

[Answer] Our elite specialists are as good as any in the world. We have no shortage of talent in our country! But we are lagging behind in the caliber of the bulk of our specialists, who represent the middle level of skill, and this is definitely a major problem.

[Question] Some people feel that we are cranking out too many engineers in this category, and that it would make more sense to graduate more workers with upgraded training.

[Answer] If we start training good engineers and good economists, we will need fewer workers. Our current manpower shortage has followed in the wake of poor engineering and economics decisions. Our production costs are higher than anywhere in the civilized world. In order for the economy to work right, we need sophisticated, enterprising, literate management personnel. Hence, the issue of training is paramount. We understand the magnitude of the responsibility assumed by the State Education Committee, and have begun our work in the fullest awareness of our duty.

## DEMOGRAPHY

### Questions for 1989 All-Union Census Criticized 18280068a Moscow SOVETSKAYA KULTURA in Russian 31 May 88 p 6

[Article by M. Tolts, Candidate of Economic Sciences:  
"Do Statistics Tell the Whole Tale?"]

[Text] The next population census will take place in January 1989. It is difficult to exaggerate its importance—at the present time, the carrying out of a strong social policy is greatly dependent upon accurate information and complete knowledge of the population's structure and the living conditions of the people. But it is precisely the accuracy of the data which we obtain as a result of a census that arouses serious doubts.

I will commence with a factor which I consider to be of major importance. For the first time during the post-war years, the census must furnish information not only on the population but also upon its housing conditions.

The right to housing is a legal category. This is completely ignored by the census program. It is stated directly in the instructions: "an entry in the lists of residents in a facility and in the census lists is carried out independently of the existence of a registration or its character (permanent or temporary) and the right to living space in a particular area."

Such information is needed beyond any doubt, but it is clearly inadequate for handing down practical decisions.

In particular, housing space and the right to use it are reserved for those who are called up for compulsory military service and also for foreign students and graduate students throughout the entire periods of their instruction. Housing space which is made available for them is not considered as surplus. If a family is awaiting housing, its place in line is retained for it. There are many such people and they are young and thus attention must be given first of all to construction planning. However, in accordance with the census instructions, a counter does not include them among the members of families. They will be taken into account only at their place of service or training as "family members who are living separately." Such a category for family status is certainly needed in a census. But in order to achieve a complete picture, another group must be singled out as a mirrored image of the mentioned "family members who have been absent for an extended period." In the process, importance is attached to taking into account in particular those who retain their right to housing space in the manner established by law. If this is not done, the results of the census will ruin our game.

Judge for yourself. A mother lived with her son in a two-room apartment up until his call-up into the Soviet Army. The census reveals: there is surplus living space. The family, still consisting of persons of different sexes and possessing a legal right to separate rooms, is disappearing. Or allow me to cite still another widespread variant. The brother of a 16 year old girl serves in the Army and she occupies a two-room apartment with relatives. According to the law, such a family can be considered for an improvement in its living conditions. But it will not be evident in the census. It is important to note that misinformation in both instances results in a type of embellishment.

Generally speaking, "legal conflicts" have a long history in the area of census taking. In 1926, when the first all-union population census was taken, non-registered marriages were legally recognized along with registered ones. That is why an approach appeared for recording a marriage in a census regardless of its legal formulation. But commencing in 1944, only registered marriages have been recognized by law. However, marital status has been recorded in all of the post-war censuses regardless of whether or not the marriage was registered. The forces of inertia suppressed common sense. And the new census will repeat this defect of previous censuses.

What will this lead to? For the most part, it will result in a state of deceptive well being. The true picture of a marital situation is camouflaged.

Even in special studies that have been carried out repeatedly by the TsSU [Central Statistical Administration]—the predecessor organization of Goskomstat [State Committee on Statistics], not one attempt was made to take into account the proportion of legally formed marriages. I would emphasize that we do not have in mind the replacement of one by another. A marital situation must be described thoroughly in various systems of coordinates. This is needed in particular at the present time when we consider the increase in the number of non-marital births, with non-registered alliances becoming a more noticeable social phenomenon.

Concern arises with regard to accuracy and other indicators associated with the new census. This applies first of all to taking into account the spread of the free mastering of another national language of the USSR, in addition to one's native language. The last census did not furnish objective information—a reference was made only to a competent opinion expressed by the deputy director of the Institute of Ethnography imeni N.N. Mikulukho-Maklaya of the USSR Academy of Sciences and Doctor of Historical Sciences L. Drobizheva, who wrote, for example, that the materials of the 1979 consensus in Uzbekistan contained inflated data on knowledge by the Uzbeks of the Russian language. The data appeared to be relatively favorable and yet studies by ethnographers revealed that only 46.9 percent of the Uzbeks in cities had mastered the Russian language and only 20 percent of those in rural areas.

Despite this fact however, no serious changes were introduced into that portion of the instruction concerned with the free mastering of a second language, during preparations for the new census. At the same time, a reliable barrier was not established for guarding against possible distortions, nor was the possibility excluded of repetitions occurring in these peculiar registrations in this most important area, one which describes cultural development and international contacts. Indeed it is clear that the number of those who have freely mastered a language does not include those who can express themselves fairly well in public transport or cite a price at a market. The specialists consider the indicator for free mastery of a language to be a true possibility of converting over to a second language particularly in the sphere of social activity. For a doctor, this includes treating a patient, for a soldier—carrying out his military obligations and for a student—the possibility of understanding that which he read or that which he heard during a lecture. Certainly, this is a complicated problem and yet it requires a clear solution. If such a solution is not forthcoming, the results will not be worth the effort.

I do not believe that these problems arose accidentally. Preliminary all-union conferences of statisticians were held 2 years prior to each of the post-war censuses. The problems concerned with the impending censuses were discussed extensively during these conferences. Changes and refinements were introduced into the program based upon the results of these discussions. Verbatim reports of the meetings were published and recommendations which were not adopted during one census proved to be useful when carrying out the next one. The problems of the forthcoming census were actively discussed in the journal VESTNIK STATISTIKI.

This time, none of the above happened. There were not even any discussions in VESTNIK STATISTIKI. The only material available for society to feed upon, including the scientific community, consisted of rumors. "The census has been postponed for a year." "Housing conditions will not be considered in the census." And after everything had been prepared, a popular brochure was published—a type of guide for action, with an attachment approved by Toskomstat consisting of the census program and instructions for carrying it out. Dozens of questions arose. But, as the saying goes, the train had already left for those to whom these questions could be addressed.

Nor was glasnost present in still another sense. It is not known what type of program will be employed for developing the census materials or what list of characteristics it will provide. And indeed earlier this question was always discussed extensively and fruitfully.

In 1985, a small micro-census was carried out, one which encompassed more than 13 million people. It included questions concerning housing. But the results were not even known by the specialists who were concerned



professionally with the housing problem. These results should not have been concealed but rather they should have been raised for discussion.

And finally, how will the materials of the census be published? The results of the 1959 Census were published in 16 volumes—there was one volume for each of the union republics, with a special volume furnishing the overall census results for the USSR. The results of the 1970 Census were published in only seven volumes. The issuing of the material was arranged in accordance with the thematic principle. The practice of "concealing" certain important results was introduced in this publication. This trend reached its culmination at the moment the results of the 1979 Census were published. At the same time, a bold trend developed and became stronger—to view society, including the representatives of science, only as consumers of information proportioned out in a strict manner, and not as a force which obviously must define the course of this gigantic work. It is possible that they will say to me: we invited certain of those scientists who are considered to be recognized authorities in demography and we consulted with them. But I do not believe that the scientists did not argue or did not attempt to clear up obvious mistakes. Thus they were represented by a purely consultative voice.

Then there is the matter of publishing the results. How will the work proceed in this regard? Similar to a demographer, I have several recommendations in this matter and yet I can express them only in a newspaper. At least one volume (several volumes will be required in

all probability for the RSFSR with its large number of administrative units) must be dedicated to the census results in each of the union republics.

At the same time, a series of special census volumes, prepared in accordance with the thematic principle, is required. How many of them should there be? This question must also be discussed. But it is clear that the situation throughout the USSR as a whole must be detailed in this series using data for the republics. This will open up the path for intensive comparisons.

The war disrupted completely the publication of the results of the 1939 population census. Important pre-war data was cited in the publication of data for the post-war 1959 census. When devoting thought to publishing the results of a forthcoming census, it would be well to recall this precedent—to combine unpublished data from previous censuses with the printing of the results of the latest census. Indeed, the opportunity for making comparisons alone reveals the true dynamics of our development.

Radical changes cannot be brought about in all areas and yet there is still time in which to avoid the worst types of distortions, especially those that are concerned with housing. I am confident that my colleagues will have other recommendations. Importance is attached to ensuring that Goskomstat recognizes their importance and heeds their intent.

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## ORGANIZATION, PLANNING, MANAGEMENT

### Internal Khozrashchet at Zaporozhtransformator Plant Detailed

#### "Second" Model of Khozrashchet Used

18230049 Moscow EKONOMICHESKAYA GAZETA in  
Russian No 23, Jun 88 pp 11-12

[Unattributed article: "A Second Model: A Mechanism for Stimulating the Economy—Risk... On the Scales of Economic Analysis"]

[Text] *Under the conditions of self-financing, an enterprise can operate efficiently if the whole mechanism of economic operation has been restructured with a regard for the new demands and if it is aimed at the ultimate results of operations and the elimination of leveling in wage payments. Experience in the creation of such a system of internal economic operation has been accumulated by the Zaporozhtransformator [Zaporozhye Transformer] Association, whose collective has been working according to a second model of full khozrashchet [economic accountability] since January of 1988.*

*A special edition relates this experience.*

The labor collective of Zaporozhtransformator, one of the leading enterprises in the electrical-equipment industry, was among those that were the first to work through in practice the conditions of the broad-scale experiment and various versions of the formation of incentive funds—in short, it was present at the origins of many economic innovations.

The request of Zaporozhtransformator to use a second model of full khozrashchet was also one of the first to arrive at the ministry. There are still only a few such enterprises in machine building. The second model, where the wage fund is formed as the residual of profit-and-loss income, seems too risky to the majority of enterprises.

And it is. Whereas under the first model of khozrashchet, with the standards-based distribution of profits, the economy or over-consumption of material resources affects only the dimensions of the economic-incentive funds, under the second, the whole wage fund "reacts" to it. The second model is aimed at intensive resource conservation.

Did they count up the possible losses at Zaporozhtransformator? Undoubtedly. They measured the entire extent of the risk on the accurate scale of economic analysis. But the advantages that would be given to the collective and the state by the use of this mechanism of economic operation also became clear.

The dedication of the second model to resource conservation and economy in material, labor and financial consumption coincided with the policy of the association

of an acceleration of scientific and technical progress, the renewal of product output (a third of it will be replaced with more progressive types before the end of the five-year plan) and the technical retooling of production.

A large variety of calculations showed that with a reduction in product materials-intensiveness via improvements on the designs of items and the technology of their manufacture, the collective would obtain the greatest advantage only with the standards-based distribution of income and the residual principle of the formation of the wage fund: the size of the fund in the second model depends not simply on qualitative growth, but also directly on economies of consumption.

Of course, economies achieved in all spheres of enterprise activity would have an effect on the magnitude of profit-and-loss income. Under the conditions of Zaporozhtransformator, however, it is namely the economy of material resources that has decisive significance. The range of materials and constituent items required here is quite large—up to 10,000 types of items. Material expenditures comprise some 160-190 million rubles a year, and their proportionate share of product cost is over 70 percent. It is understandable that reductions in material spending would be the principal source of profits and reductions in production expenses.

The plant economists have calculated that a reduction of the share of material expenditures by just one percent provides for an increase in income of 2.2 million rubles, including 1.4 million rubles for the wage fund. These data are illustrated by all of the dynamics of income growth at the association in relation to reductions in material expenditures.

The choice of the second model, according to the calculations of the collective, was also helping to resolve another important task—raising the market competitiveness of the product output of Zaporozhtransformator in the foreign market (10 percent of overall product output goes for export). It was namely according to weight parameters that the Zaporozhye items were losing out compared to analogous products in the foreign market.

At the beginning of the 1970's, when the production association was being created (there were three enterprises in it then), a policy was adopted at the time of the maximum centralization of management. This has played a positive role to a certain extent.

They were able to achieve a high degree of topical and technological specialization in production and develop internal cooperation. The concentration of forces made it possible to raise the technical level of all of the structural entities of the association. The technical production level of the cable plant had not corresponded to the requirements of scientific and technical progress before its inclusion in the association. The powerful production potential of the lead plant was utilized in its

technical retooling. And in a short time, the cable plant was transformed into a modern enterprise that was in no way inferior to the best plants in the sector.

The unification of all economic services—accounting, finance, material and technical supply, transport support—facilitated a reduction in the management apparatus. One out of every six workers was freed up. The overall economy in the wage fund was over a million rubles.

In the preparatory period for the transition to self-financing, however, it became clear that the extant internal operational ties were becoming contradictory to the new requirements. An analysis done by the economists made possible a critical evaluation of what had been done and the development and incorporation of new and efficient proposals.

The task of raising the role of structural entities for the ultimate results of the work of the whole collective moved onto the agenda. It was essential to emancipate the initiative of the labor collectives and expand their rights. The principles of full khozrashchet and self-financing had to be passed on down to the shops, sections and teams and indicators and economic standards had to be balanced horizontally, since disruptions in one link could lead to the downfall of the whole chain. And that is where the minuses of centralization were revealed.

The new conditions of economic operation required the introduction of standards-based accounting: without it, the second model of khozrashchet would be an empty phrase. Under the centralization of accounting functions at the plants and in the shops, bookkeeping had been eliminated at one time... Under these conditions, even bookkeeping balance sheets for each structural entity were difficult to compose.

And what did the product marketing service, for example, do for the association? It caused excessive coordination and restrained the initiative of labor collectives in reinforcing delivery discipline—a most important obligation under the new conditions.

They thus also decided to make changes in internal operational ties. Bookkeeping and a product orders and marketing service were restored at the high-voltage apparatus and cable plants and an account was opened at Promstroybank [Bank for Industrial Construction].

Five types of economically accountable production were created at the lead plant—welding, tooling, specialized, mechanization-equipment production and transformers. Four of them supply general industry-wide machine-building items through internal cooperation, and the fifth—the transformers—work for the outside consumer. Each type of production consists of several shops. This

organizational structure under the conditions of Zaporozhtransformator makes it possible to link the interests of the primary labor collectives with the association overall and "tie" everyone more solidly to the ultimate results of operations.

The new management structure and reliable accounting have made it possible to create a well-defined system for the formation of profit-and-loss income and standards for its distribution for all management levels.

**The economic standards are creating a unified methodological basis for the organization of internal production khozrashchet according to the second model.**

The standards for the association and the plants in it are identical therein—in the one and the other case, profit-and-loss income is formed from the sale of products at wholesale prices. The composition of the standards for types of production and shops are different. These structural subdivisions cannot be oriented toward wholesale prices: they have no finished products.

It is important that the association not follow the experience of those enterprises that envisage the formation of the social-development fund according to standards devised in advance for the structure of profit-and-loss income. The shop collectives, as a rule, even with as successful operations as you like, in that case have no opportunity of solving major social problems. The practice of the Zaporozhtransformator collective has shown that the main problems of developing the social infrastructure must be solved at the association and enterprise level nonetheless. A unified social-development fund has thus been formed at that level.

And what of the vested interest of the shops? The provisions envisage that the collectives of the subdivisions can utilize 40 percent of the additional income for their own needs—granting credit, including for individual housing, rendering unpaid material assistance, organizing trips on preferential terms etc.

**Base Normative Costs System Introduced**  
18230049 Moscow *EKONOMICHESKAYA GAZETA* in Russian No 23, Jun 88 pp 12-13

[Unattributed article: "The Riddle of SBC"]

[Text] The transition to self-financing puts the collectives of enterprises into conditions where their material and social welfare depend entirely on ultimate results and the efficiency of their activity. And here it is very important to construct the internal operational mechanism in such a way that it creates conditions for eliminating wage leveling so that the principle of "you get what you earn" is in effect in all structural subdivisions.

But what criteria are to be used to evaluate the labor contribution of the collectives to the overall income of the association? And how can objectivity be achieved?



Many collectives in the country, as is well known, have taken the path of developing a system of intra-plant prices that take into account only the factors that depend on the activity of this or that subdivision. Intra-plant prices have not even been developed at Zaporozhtransformator. They have taken into account the chief feature of the second model of khozrashchet, its dedication to resource conservation and the direct link of the wage fund with economies of material expenditures, where every structural subdivision has its share in the unified wage fund.

Whereas today a sum of material and equivalent expenditures planned in cost form is added to the share of the wage fund, this magnitude comprises the planned value of the products, in other words, the planned production volume.

But how to determine the planned value of material expenditures if there are no intra-plant prices? Here is where the mysterious SBC comes to the rescue—**standard base cost**. Base because the standards-based expenditures of materials, constituent items, power, wages and other indirect expenses per unit of output are taken for the last year of the 11th Five-Year Plan.

In order to determine the dynamics of production (rate compared to a prior or base year) and the level of the fulfillment of the plans by collectives, the SBC remains unchanged until the end of the current five-year plan.

Let us now calculate the limit of material expenditures for a specific subdivision—Shop 3 of the high-voltage apparatus plant. In order to execute this operation, the production volume calculated according to standard base cost must be divided into the economic elements of the expenditures and wages must be excluded, while the remaining sum of material and equivalent expenditures must be decreased to the standard for expenditures reduction established for the subdivision for a given year.

The standard for material-expenditures reduction for Shop 3 for 1988 was set at 0.08 percent. The volume of production according to the standard base cost is 5 million rubles, of which material expenditures are 3.6 million and the rest wages (all of this based on 1985).

First we calculate the planned magnitude of material expenditures for the year:

1. Material and equivalent expenditures = 3.6 million rubles.

2. Target for reduction in materials expenditures for 1988 ( $3.6 \text{ million} \times 0.08$ ) = 288,000 rubles.

Thus, planned material expenditures = 3.312 million rubles.

If the planned amount of material expenditures (3.312 million rubles) is added to the share of the planned unified wage fund (1.5 million rubles) established for the shop, we obtain the magnitude of the planned value of the shop's products for 1988—4.812 million rubles.

Wages as an economic element of the standard base cost do not include bonuses from incentive funds and do not take into account changes in the salary scales for workers, specialists and office personnel. The wage fund is thus passed along to the shops according to standards for the current, first year of operation under full khozrashchet using the second model. They proceeded herein from the rate of increase in volume over the five-year plan. The size of the fund was then increased by the sum of the bonus fund according to an average factor.

Without well-arranged production accounting, of course, it is impossible to determine precisely and objectively the specific contribution of the labor collectives to the end results of operational activity. It is impossible to get by without a standard method of production accounting under conditions where product cost is at the foundation of income and wage-fund determinations. Every section and every team and shop should know how many and what products have been put out, how much it came to and with what deviations from accepted norms. It is no secret, after all, that the actual consumption of materials and constituent items frequently differs from the standard.

**All evaluations of the results of the work of internal structural subdivisions and the formation of their income at Zaporozhtransformator are based on a precise and complete accounting of deviations from standard expenditures and their detailed analysis.** A standard system of accounting forces the subdivisions at all levels not only to analyze in detail the actual expenditures for an item overall, but also to intervene actively in the process of their formation, that is, really to manage expenditures in the production process. Monitoring is done, on the one hand, of the quality of resource consumption norms and their steady decrease and, on the other, of the degree of their conformity to actual consumption.

#### **Labor Collective Chairman on his Work**

18230049 Moscow *EKONOMICHESKAYA GAZETA* in Russian No 23, Jun 88 p 13

[Article by labor-collective council chairman V. Nesterenko: "Work Skillfully, Manage Profitably"]

[Text] Five years before the current election for chairman of the labor-collective council, I was the chairman of the council of team leaders, headed a khozrashchet team and thus can compare, as they say, what was and what is.

The new organ of workers' self-management is not yet six months old, but it has sharply altered the circle of questions that it is occupied with. We take on the same

production conflicts that used to arise between a lower labor collective and the administration. The majority of the issues were associated with bonuses, wages and setting salaries.

The situation is changing radically today. Several times this year already the council has had to investigate carefully the causes of the poor organization of labor in several shops and disruptions in supply of material resources and constituent items. I am sure that this change in the nature of conflict situations is connected first and foremost with the transition of our association to the second and more risky but also more advantageous model of self-financing.

All have had to look anew at our common life, and after all, the principle of complete khozrashchet—"What you earn is what you get"—should be employed by each both toward their own team and toward their own individual labor.

The question of team khozrashchet is completely different today. Neither the administration nor we, the workers, seek formal "inclusion." Most important is the quality of contract fulfillment. Under the conditions of self-financing, without guarantees on the part of the administration of supplies without disruptions the contract becomes simply a fiction.

The council of the labor collective is following attentively the emergence of the contract, for example in the integrated team of the mechanical shop in the high-voltage apparatus plant headed by I. Grinko.

The collective of that team has concluded a contract with the administration for the current year, taking on complete responsibility for materials, tooling and machine tools and the timely fulfillment of plan targets. The administration, for its part, is obliged to arrange the well-defined and timely supply of everything needed by the team. This contract defines the material responsibility of the parties for the observance of mutual obligations and specific sanctions for their violation.

What can be said about at least the first few months of this operation? The team has completed the first quarter successfully. Labor productivity has increased by 8.4 percent. The collective economized 1.6 tons of metal, and the workers' wages increased. All of the products passed at first presentation. And this is, we note, under the conditions of state acceptance.

The second model of self-financing makes completely new demands of labor organization and grants broad rights, but it also strengthens the responsibility of the workers in the collectives. It is namely for that reason that our council resolved so carefully the issue of converting the shipping-container section to lease contract. The production cycle is closed there, the end product is

clearly defined and raw materials are easily monitored. In short, the collective can take responsibility for all resources. We are hoping for a successful result to the experiment.

We have decided to approach some other production sections with the same standards as well. We will not rush, of course. We understand: we will have to answer with our wages... But we don't intend to delay either.

**Method of Evaluating Labor Payments, Violations**  
18230049 Moscow *EKONOMICHESKAYA GAZETA* in Russian No. 23, Jun 88 pp 13-14

[Unattributed article: "The Shagreen of Expenditures"]

[Text] How to set up a system for evaluating the labor contribution of the collectives of subdivisions to the overall results of the economic operation of the association?

**If the shop exceeds a stipulated limit of material expenditures, this automatically leads to a reduction of the wage fund.** That is, the system operates like "shagreen": permit license in the utilization of resources—wages decrease; fail to fulfill obligations—again be deprived of some wages.

There is another important element: if foremen, section chiefs, industrial engineers and other specialists do not provide for reductions in labor intensiveness and permit the collective to obtain unearned money, they thereby reduce their own share of the wage fund.

Let's turn now to our example of calculating a shop's plan target. How was it fulfilled in the first quarter of 1988 and how was the labor contribution of Shop 3 to the overall results of economic operation evaluated?

The plan for the quarter (calculated from the aforementioned annual plan figures) took shape in the following manner:

**Materials expenditures—828,000 rubles.**

**Product value—1.203 million rubles.**

**Wage fund—375,000 rubles.**

The shop fulfilled the plan for production volume by 102 percent and economized material resources therein. The wage fund in this case was calculated proceeding from the following data:

**Material expenditures for actual output (per plan)—845,000 rubles (828 x 1.02)**

**Value of product output—1.220 million rubles**

**Actual material expenditures—830,000 rubles.**

An additional 15,000 rubles should thus be allotted to the wage fund (the difference between the planned and actual material expenditures). This amount does not go completely to the shop wage fund, however; 40 percent, that is 6,000 rubles, goes to the social-development fund. As a result, 9,000 rubles of the sum additionally obtained (15,000 rubles) is sent to the wage fund. The amount of the fund for the whole quarter will total 384,000 rubles (instead of 375,000).

The economy or overconsumption of material and equivalent expenditures according to the results of the whole planning period always "corrects" the size of the wage fund. This means that one of the chief aims is achieved—eliminating leveling in the evaluation of the results of economic operation. It should be noted therein that the operating mechanism for this system is very simple, evident and easy to understand.

It must be stated that in the face of the non-fulfillment of the plan for production volume with an economy of material expenditures, the wage fund is figured in a greater size. But what does the collective win in that situation? Nothing at all, since another sanction goes into effect that is envisaged by plant standard documents. If the shop does not fulfill the plan for product output with a regard for the obligations of internal deliveries, its wage fund is decreased at once by 0.8 percent for every percentage point of product under-delivery.

Naturally, various types of deviations may arise in the course of production and circumstances may take shape objectively that cause reductions in shop income. The labor collectives have been granted the right to make use of internal credit in such cases. The credit is recovered to the extent of improvements in the work of the subdivision.

On the other hand, the employment of economic sanctions and compensation for losses is envisaged within the framework of a system of mutual complaints. The amount of fines received or paid, as deemed by the decision of "internal arbitration" by the association, affect the size of the collective's income. The specially devised *khozrashchet* complaint form includes information on the amount and nature of the loss inflicted, the specific culprit and documents supporting the violation, and the amount of the complaint by expenditure line item is entered here.

As follows from the document shown, the complaint made by welding production to the material and technical supply department was satisfied: the wage fund was decreased by 1,110 rubles (the planned fund was 75,000 rubles).

The prevailing bonus system in the association is also aimed at resource conservation. The sole indicator that limits the size of bonuses for economizing material resources is the magnitude of the subdivision's planned

wage fund. In order to avoid unfounded payments due to exaggerated norms for materials consumption, a provision was introduced according to which the labor collectives receive bonuses for materials economy only in the event they submit a proposal for the reduction of the materials-consumption norms. Cases of one-time economies are analyzed in detail by the industrial-engineering service for the purpose of eliminating economies achieved as a result of violations of the specifications of technical documentation.

The whole bonus system was reviewed overall. It is aimed at strengthening collective material responsibility for production rhythm and product quality. For instance, 10 percent of the total wage is established for the teams for the fulfillment of norm targets, 15 percent for the achievement of the planned level of labor productivity and a maximum of 5 percent for each percentage point of overfulfillment of the norms (depending on the proportionate share of the technically substantiated norms being employed according to the scale). If the products do not pass quality control completely at the first submission, a bonus reduction factor enters into effect.

Work being done at the association aimed at economizing all types of resources has aided us in creating the preconditions for the successful conversion of the collective to the new wage conditions starting 1 Jan 88.

Practically all of the subdivisions have themselves calculated their own sources for raising wages by sector. The principal share of the funding for the introduction of new wage conditions is through the review of norms and rate scales.

Special groups, including representatives of shops and the chief industrial engineer's and labor-and-wages departments, have carried out an analysis of the technological processes and wage scales and have made proposals in conjunction with the labor collectives to alter the prevailing norms and rate scales. Over 100,000 norms in all were reviewed in 1987.

#### Team Leasing Contract Described

18230049 Moscow *Ekonomicheskaya Gazeta* in Russian No 23, Jun 88 p 14

[Unattributed article: "Teams Convert to Leasing Contract"]

[Text] The thorough system of evaluating the labor of collectives that has been adopted in the association has forced a critical approach to everything that was done earlier in the realm of incorporating and developing collective forms of labor organization and wages. The collective forms of labor organization that had been in effect, with all of their progressiveness, were aimed first and foremost at economizing labor expenditures. This has, of course, had a positive effect on the economics of



enterprises and has fostered a reduction in the number of personnel. Whereas the headcount of industrial-production personnel was 14,569 people in 1985, according to this year's plan it is 13,365.

Under the conditions of full khozrashchet and self-financing, however, it was also very important for the teams to create incentives for economizing material resources and having a thrifty attitude toward them. Team khozrashchet and contract forms have become widespread in the association. But now we have gone further.

Documentation has currently been prepared that makes it possible to convert the first two teams of the shipping-container section to a khozrashchet account that approximates the conditions of a leasing contract.

Beginning on July 1, these teams will begin working in a new manner. They proceeded, naturally, from the specific nature and conditions of production in developing the documentation and methodological instructions.

What brought about the restructuring of the system of labor organization?

Large-sized products and a large amount of deliveries for export, including by maritime routes, require a large amount of packaging. The shipping-container section has been a bottleneck for many years, and many specialists have sometimes been diverted here, including highly qualified industrial engineers and designers, just to get close the gap.

The woodworking shop industrial engineer, communist G. Domashich, suggested organizing a khozrashchet team to manufacture shipping containers on a leasing-contract basis.

The collective has been assigned accommodations and equipment, it will be allocated wood according to norms and the value of each unit of output has already been coordinated. The difference between the value of product issued by the team and actual material expenditures will be the team's earnings. The basis for calculations is the same standard base cost for the whole shop.

The team understandably has a vested interest in this case in making better use of its space and equipment through multi-shift operations, making economical use of wood and making thrifty use of non-returnable shipping containers coming into the plant.

The whole woodworking shop is planned for conversion to leasing contract in the future.

And how are things going with the conversion of auxiliary shops to khozrashchet?

Mechanized-equipment production puts out equipment which is sold at wholesale prices, and it is thus completely equated to the basic shops. Tooling production,

the repair and mechanical shop, electrical repair, sanitation, the construction-repair section and the power-generation unit—these are still topics of meditation for the plant economists: the question of their place in the new intra-production mechanism has yet to be resolved.

As for the management departments and services, a planned size for the wage fund has also been established for them. It remains unchanged over a year even with reductions in the number of personnel. But it is reduced by the amount of sanctions in the mutual-complaint system. This ensures a vested interest in the conscientious fulfillment of functions with a lesser number of personnel.

The operating practices of the Zaporozhtransformator Association under the conditions of the application of the second model of full khozrashchet have confirmed the effectiveness of this system of intra-plant khozrashchet. All of the plan indicators for the first quarter of 1988 were fulfilled successfully. According to operating results, the khozrashchet income actually earned over that period surpassed the planned amount.

The target for labor-productivity growth was 104-percent fulfilled, and the relative freeing up of personnel totaled 28 people. Economies from product cost reductions were 552,000 rubles.

Among those gaining were the state—additional funds were deducted for the budget and the ministry. But the collective did not miscalculate—khozrashchet income grew by half a million rubles over the projected figure. About an additional 400,000 rubles were sent to the unified wage fund.

The additional income was additional funding for the realization of the social program of the collective: the construction of housing, pre-school institutions, dormitories and worker vacation camps. And the tasks herein are crucial. Some 65,000 square meters of housing (including 17,400 square meters for youth housing) are projected in this five-year plan, a production and technical institute and a children's comprehensive school will be built and the Dnieper rest camp will be rebuilt. The whole social program is under the strict monitoring of the labor-collective council.

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## TECHNOLOGY, ACQUISITION, ASSIMILATION, COOPERATION

### Plant Director Discusses Bulgarian Machine-Tool Cooperation

18230046 Moscow IZVESTIYA in Russian 4 Jun 88 p 2

[Interview with Vladimir Pavlovich Kabaidze by B Kononov: "Unreceptiveness Tries to Survive"]

[Text] A point of view.

[Question] Vladimir Pavlovich, you have become the organizer and general director of the first International NPO [Science and Production Association], Ivanovo-Sofiya. What persuaded you to take this step?

[Answer] A desire to expand the scale of output of progressive machine-toolmaking equipment—machining centers and NC machine tools—numerical program control. We have not been able to achieve cooperation with other enterprises, but we have with Bulgaria.

[Question] How do you explain this?

[Answer] Their bureaucracy is weaker than ours. It did not take so much effort and might. So it was possible, relying on common sense, to prove the advantage of cooperation. The Bulgarian comrades used our experience, knowledge and finished developments, and we needed their productive capacity for expanding operations. As a result, the BNR [Bulgarian People's Republic] is now producing modern machine tools for our vast market and can export directly to Soviet customers through us.

[Question] I heard once in Sofia that you are expansionist and would like practically to "pin down" all Bulgarian machine-tool production under yourself.

[Answer] This is the usual petty talk, behind which is the bureaucracy itself, which, just like ours, would like to preserve the existing system of control and the old structure of the machine-tool pool, with its predominance of multiple-purpose machine tools. But as a matter of fact, the output of the Ivanovo-Sofia International Association does not exceed, in terms of value, 10 percent of all the Bulgarian machine-tool industry's volume. We wanted to arrange for the joint output of heavy machining centers, but this was not specified by the Soviet-Bulgarian agreement. And we had to look for other partners.

Our Ivanovo Machine-Tool Production Administration, as before, could not arrange for cooperation within the country. All the talks went like this: "It wants to take over everything." So we are expanding international cooperation. And now the Korean Machine-Tool Industry has been joined to ours. Together with the KNDR [Korean Democratic People's Republic], we are arranging now for the output of heavy machine centers.

Eighty percent of the output will be sent to the Soviet market. And we are organizing with the GDR the production of superheavy machining centers. Thus the whole range of machining centers—from the smallest to the superheavy ones—that our machinebuilding needs will be built according to our developments.

[Question] What influence does the perestroika process, which is proceeding in our countries, have on the collaboration?

[Answer] There are both pluses and minuses. There are plenty of difficulties. The trouble still is that both our and Bulgarian perestroika have been victims. In Bulgaria a very serious breakup of organizational structures is going on right now. Ministries have been eliminated

and voluntary associations have been formed in their stead. An earnest restructuring of the party and state apparatus is going on. This is gratifying. But unfortunately, people with whom we have done business and made agreements on collaboration have often gone to other posts. And in Bulgaria, as is the case here, when a man leaves, the commitments he has undertaken automatically "depart" with him. His successor begins all over again from scratch, and what is more, keeps repeating: "You've got everything piled up here, but never mind, we will set everything straight...." Long-term relationships cannot be built this way.

I will cite an example. Bulgaria bought from Japan a license for producing NC. It was reasoned simply that you will not come up to world class by the evolutionary method of minor improvement of poor NC's. A market must be created. The simplest path, which we had considered somewhat shameful, was the acquisition of a license.

Bulgaria actually arranged for the output of good NC's, made from Japanese outfitting articles, under the license purchased. And this cost much less than acquiring finished Japanese NC. An agreement with the USSR envisioned that an enterprise for producing NC will become a part of our international association, gradually convert to CEMA outfitting articles, and arrange for the output of NC for Bulgarian and Soviet machine-tool manufacturing. But now this enterprise belongs completely to another association, and our concerns and plans do not interest them.

You hear me correctly. I am wholeheartedly for perestroika, reduction of the administrative staff, and the merger of various "key agencies," but I am against this leading to irresponsibility and a forsaking of commitments. In destroying what is old, let us give thought to how to retain that which is needed and necessary.

[Question] But what prevents you from proceeding now to perestroika?

[Answer] It is appearances instead of actions. The ministries' main administrations have now been eliminated. That is sort of good. Now I am directly subordinate to the ministry, without intermediate barriers.

We once counted up, together with our office: the number of directive papers has grown by 10 percent. What do we need them for? We are not blind, we know where to go and what we want. So let us take care of our business independently.

We expected that in the new era the ministry will be busy with organizing cooperative production organizations and will be able to "beat" out from other industries the outfitting products of high quality that we need. But there has been no progress.

Speaking frankly, in the current situation we really need just the ministry's supply section. That is because wholesale trade is a dream of the future, and everything, down to the last nut and bolt, still goes through Gosplan, Gossnab and the ministry. And this system holds us on a very short leash. We get all our resources from the ministry, and we will be worse off if we object to its actions, although they contradict the spirit and meaning of perestroika.

We have now transferred to "self-financing." And what about it? The enterprise, under the long-term economic standard, has been left with 10 percent fewer funds than before. Where are they going? To keep other enterprises afloat at our expense, it turns out. This means that the ministry's role actually comes down to the imposition of wage leveling.

For indeed we have already experienced this. We are at a dead end. Remember the classic slogan of Brezhnev's time: "Not one lagging rank." This indeed led to stagnation. The strong used their hands and feet, but the weak, despite all the infusions and nudgings, did not move forward. So we have the same old thing again?

It is said: they will go broke. Well, let them go broke, let them be brought into advanced associations; then we will enable them to develop intensively. It is time for state policy to be built on helping the strong and not on preserving the survivability of weak and unprofitable production facilities at any cost.

But we are now trying to use the government order as a crutch for them. It would seem, according to the logic of things, that the state order should encourage output of the most advanced world-class production equipment that the country needs, which we talk so profusely about. That is not how it is. Actually the state order guarantees the production of the old output that held the country back.

Let us take a look at what is happening with our machine-tool manufacturing. There are today in our Minstankoprom [Ministry of Machine Tool and Tool Building Industry] 143,000 machine tools and 100,000 machine-tool operators. For the country as a whole there are 6.5 million machine tools and 4 million machine-tool operators. What can be said about two-shift operation? It is impossible to use the machines fully in a single shift. The machine-tool pool must be updated. It seems that everyone recognizes this. But yet the state order is for multiple-purpose tools.... This means that, as before, they will be idle. A miracle will not happen.

**[Question]** But now economic sanctions have been introduced for producing old equipment, and the prices thereof are reduced.

**[Answer]** And do you think they are idiots at the enterprises? They attach some kind of a knickknack, adapt a robot, and here is a new machine tool. But if you get to the heart of its design, it has not changed in 30 years. And we have such "new" equipment, as they say, aplenty.

Very often an enterprise cannot produce new equipment because the supporting entities trip them up—needed outfitting articles are lacking. When the Machinebuilding Bureau of the USSR Council of Ministers was created it was said that now the situation will be changed. Order what you need and you will get it. We will force development and organize production. Empty promises. Thirteen years ago we bought high-torque electric motors and good NC abroad with the clients' foreign exchange and we are doing the same today. Neither Minelektrotekhprom [Ministry of Electrical-Equipment Industry] nor Minpribor [Ministry of Instrumentmaking, Automation Equipment and Control Systems] is producing world-class output. The state order gets its way, and old stuff that we do not need is received. This is a complete profanation of the idea of the state order!

**[Question]** So just what do you propose to do?

**[Answer]** Strengthen the economic levers. An organization should go broke if it produces old stuff, and prosper if it produces output on a par with the rest of the world. At present it does not feel the difference. And if the situation does not change radically, the success of economic perestroika will be problematic. The state order and the contractual price must allow the enterprise to get the cream from organizing the production of world-class output. This is advantageous to the state. Also to the customer. And it should be advantageous to the producer. It would indeed be much more advantageous and simpler for us as customers to pay rubles to domestic suppliers for good outfitting articles than to acquire them from foreign firms with foreign exchange. In precisely the same way it is advantageous also for domestic customers for our products. I consider that he who supplies world-class output should get for it the world market price, enabling at least 50 percent of its output to be realized not through Gossnab but by itself, contracting directly with the customer.

On the other hand, the tax on obsolete output should be much higher than it is now, but for both the producer and the buyer. Otherwise the bureaucrats have but one answer: buy it! The state should regulate this process.

**[Question]** In essence we still have not begun to use the tax as a tool for effecting scientific and technical progress. But this has been done the world over for a long, long time. There is the well-known case of the era of electronic tubes,



when a tax on electrical and electronics equipment was introduced in the USA on vacuum-tube volume. As a result, microminiaturization was quickly started; then the vacuum tube disappeared entirely, and solid-state circuits appeared. Obviously, we also must use a lever of this type effectively.

[Answer] That's completely true. While speaking about machine-tool manufacturing, we must right now, in my view, increase sharply payment for the use of old production capital. Then it will become unprofitable to buy multiple-purpose machine tools. By following such a route in our economics we shall be able to convert to systems where one man can tend several machine tools and we can even have unmanned technology.

For the producers, in my view, it is very important to introduce right now preferential subsidies and prices for "anybody's equipment," which is produced by not just one ministry. Today, for example, there is a boom on throughout the whole world in the production of small machine tools for instrumentmaking. We do not have them. We took upon ourselves the responsibility and the risk. But under the existing order there is no perceptible advantage for the so-called self-financing enterprise. The existing "self-financing" does not encourage the output of progressive equipment. Here is another example—the situation with laser machine tools. They are badly needed by industry. We took upon ourselves the whole bother and risk of organizing the new business. But profit was taken away in order to support the output of multiple-purpose machine tools, which the country does not need. It is paradoxical but it is a fact.

[Question] Vladimir Pavlovich, today you are assuming the role of a pessimist, which is unusual for you. Is the affair so bad that even you have lost heart?

[Answer] No. I purposely speak harshly in order to try to change the situation. I have not run out of optimism. Right now it is difficult to operate, but it is possible. Times have become better. They listen to you and help you. And I am hurrying and trying to succeed in doing things a bit better. I am reaching for the wealth of new stuff. One thing makes me miserable—my age....I wish that perestroika had come 15 or 20 years earlier. I have dreamed my whole life of "running on a long leash." But today one can be independent. He who wants to can operate now, however difficult it may be because of all the confusion of the transition period.

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### Ryzhkov Visits Czech Machinebuilding Center

18230062 [Editorial Report] Moscow SOTSIALISTICHESKAYA INDUSTRIYA in Russian for 9 July 1988 carries on page 3 a 270-word article by TASS correspondents Yu. Maksimov, V. Talanov, and Yu. Trushin, datelined Prague. They report on the visit by Council of Ministers Chairman Nikolay Ryzhkov to the largest heavy machinebuilding enterprise in Czechoslovakia, the Skoda-Plsen Combine imeni V.I. Lenin. Ryzhkov's visit preceded by one week the 30th anniversary of the establishment of cooperation between Skoda-Plsen and the Soviet Uralsmash enterprises. In March of 1987 the first international engineering brigade was created between these two enterprises. Ryzhkov was briefed in detail about the brigade's activities. He also recommended the creation of high-quality rolling mills for the production of cold-rolled metals, thus reducing CEMA's reliance on imported materials. UD/325

## RAIL SYSTEMS

### Main Administration Typical Structure Illustrated

18296122 Moscow PUT I PUTEVOYE in Russian  
No 5, May 88 pp 6-7

[Unattributed report entitled: "Novaya struktura"]

[Text] As already reported, a new structure for the central staff of MPS [Ministry of Railways] was put into effect on 1 January 1988. It includes the following main administrations:

—for haulage; passenger; for container haulage and commercial operations; for locomotives; for railroad cars; the lines; for signalization, communications and computer technology; for electrification and power supply; for subways; for industrial rail transport; for rolling-stock repair and spare-parts production; economic; scientific and technical; for traffic safety; for design and capital construction; for the supplying of materials and equipment; for centralized accounting settlements and finances; for personnel and training institutions; for workers' supply; for railroad restaurants; for medical support and sanitation; and special.

In addition to the main administration are these administrations:

—external communications; statistics; militarized protection; economic and management affairs; plus these sections: for improvement of organizational structures, and juridical and arbitration.

The master scheme for the control of rail transport calls for intensified integration of science and production, the inclusion in individual railroads, subways, and production and science-and-production associations of scientific-

ic-research, design-development and technological-type organizations. It was determined, in so doing, that at least 40 percent of the worker manpower engaged in the branch's science be concentrated in the main element. MPS has been authorized to have subordinate to it three scientific-research institutes and eight design-development bureaus of branchwide scope.

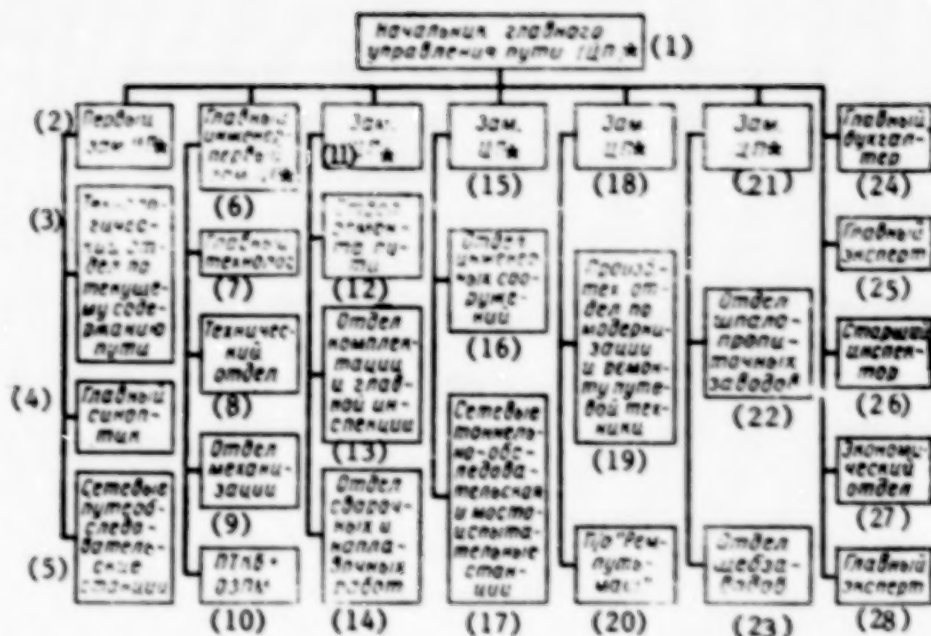
The MPS's recommendation to create in Moscow an All-Union scientific-research and design-development institute for automation equipment for railroad transport, with branches in Leningrad and Rostov-on-the-Don, and also the science-and-production association Soyuzheldoravtomatizatsiya [All-Union Science-and-Production Association for Railroad Automation] within the indicated newly created institute (the prime organization), a state survey and design institute for the design of automation devices, remote control, and communications and radio (Leningrad), the Main Computations Center (Moscow) and 16 plants.

The Main Administration for Design and Capital Construction will include administrations for: contracting activity; the construction of new railroad lines and double tracking; the design of rail-transport facilities; consultant's advice on designs and budget estimates; and public structures and social development. Each administration has three sections.

Moreover, there are independent sections: technical, for integrated assimilation of capital investment, and general.

In the Main Administration for Subways, as before, the section for tracks and structures will be occupied with questions of the tracks, as will one of the chief consultants in the Main Scientific and Technical Administration.

In the Main Administration for Lines there are 15 sections instead of 11 (see the chart).



[Organizational Chart of Main Administration for the Lines, Ministry of Railways]

Key:

1. Chief of the Main Administration for the Lines (TsP)\*
3. Current track maintenance operations section
4. Chief weather forecaster
5. Network track-inspection stations
6. Chief engineer-first deputy (TsP)\*
7. Chief mechanical engineer
8. Equipment section
9. Mechanization section
10. PTKB + OZPM
11. Deputy (TsP)\*
12. Track repair section
13. Section for outfitting and chief inspectorate
14. Welding and deposition section
15. Deputy TsP\*
16. Engineering structures section
17. Network tunnel-inspection and bridge-testing stations
18. Deputy TsP\*
19. Production section for modernization and repair of track equipment
20. P/O "Remputmash" [Track-Repair Machinery Production Association]
21. Deputy TsP\*
22. Section for sleeper-impregnation plants
23. Section for crushed-rock plants
24. Chief accountant
25. Chief consultant
26. Senior inspector
27. Economics section
28. Chief consultant

\*TsP[Central Administration].

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